OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

April 12, 2012

RE: LR-12-030 (Sales Tax Inquiry)

Dear]

I am writing this letter in response to your request regarding Oklahoma sales tax. Set forth verbatim are the facts presented along with the responses thereto.

Facts:

is a diesel repair shop located in the OK area. , the sole owner, worked for for many years. Upon retiring from opened his own diesel repair shop to service trucks for his neighbors and friends. operates his shop with one hird hand. does not maintain an inventory of parts and purchases, or has the customer deliver, the necessary parts required for the job is currently performing.

____ does not charge its customers any mark-up on parts it uses during any of its repair services. Additionally approximately 50% of the parts replaced on repair jobs are charge directly to customers' accounts with the parts vendor and never sees or receives an invoice for the purchase of the parts. When does pay for the parts pays the applicable sales tax to the parts vendor and passes the parts charge through to the customer with no mark-up as reflected on their invoices. Additionally, shows the parts purchased expense on their customer invoices as "Parts Reimbursement" and attaches a copy of the receipt for the part reflecting the pass through, without mark-up, of the parts.

has in the past maintained a Sales Tax Permit with the Oklahoma Tax Commission (OTC) however, after several periods reporting zero tax due, the OTC canceled the sales tax permit. is now being told by a representative of the OTC that they are once again required to file sales tax reports despite the fact no tax is due.

Based on the facts outlined above, we feel that requiring the to continue to file sales tax reports when no tax is due is an unnecessary burden on the taxpayer. We respectfully request

that the Tax Policy Division of the OTC review the facts and circumstances of this case and provide us with written acknowledgement of the OTC's position on this case. Additionally, if the OTC feels that continued filing of zero due sales tax reports is necessary, please provide us with an explanation regarding the policies and procedures the OTC has in-place, or the policies and procedures the taxpayer needs to have in-place, to ensure the current sales tax permit will not be canceled again.

Response:

Tax Commission records indicate that I currently holds a valid sales tax permit which allows it to purchase tangible personal property exempt from Oklahoma Sales Tax for resale purposes. Further, ___ is separately stating or itemizing the parts by indicating a Parts Reimbursement on customer invoices which indicates that _ is acting as a seller/vendor of tangible personal property even though it paid sales tax when the repair parts were purchased. Consequently, ___ is required to collect Oklahoma state and any applicable local sales taxes from its customers on the sale of itemized tangible personal property, and report and remit these amounts to the Tax Commission.

If wishes to operate as a repairer, it should charge customers a single price for parts and labor, should not collect sales tax from customers but should pay sales or use tax to suppliers when purchasing parts, materials and other property used to perform repair services. Also, should surrender its sales tax permit to the Taxpayers Assistance Division, 2501 N Lincoln Blvd, Oklahoma City, Ok 73194, for cancellation. Attached is a copy of OAC 710:65-19-11 which outlines the option of repair shops to do business as a vendor of parts/materials or strictly as a repairman.

This response applies only to the circumstances discussed in your written request of March 07, 2012. Pursuant to Commission Rule 710:1-3-73(e), this Letter ruling may be generally relied upon only by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and there has been no change in applicable law.

Sincerely,

Oklahoma Tax Commission
Marc Morrison
Tax Policy & Research Division