OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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November 16, 2012

RE: LR-12-046 (Sales Tax Inquiry)

Dear

This letter is in response to your request regarding the sales tax treatment of tires purchased for a forklift used in your manufacturing operation Set forth verbatim are the facts presented and the responses thereto.

Facts:

> We are a scale manufacturer and recently purchased new tires for our forklift. The forklift is used to move our product from one area of production (lay out, welding to sandblast or painting or assembly) in the yard.
>
> Reading the rules referenced in the e-mail response, I thought it sounded like the tires should be exempt. The vendor from whom we purchased the tires has requested a written ruling from the commission to insure the proper tax is paid.

Response:

The Oklahoma Sales and Use Tax Codes exempt manufacturers from the payment of sales and use tax on certain purchases. Section 1359(1) of Title 68 affords a manufacturer a sales tax exemption on its purchases of goods, wares, merchandise, tangible personal property, machinery and equipment for use in a manufacturing operation.[1] Manufacturing operations, pursuant to 68 O.S. 1352(14), consist of the designing, manufacturing, compounding, processing, assembling, warehousing, or preparing of articles for sale as tangible personal property and start at the point where the materials enter the manufacturing site and end at the point where a finished product

[1] Section 1404(4) of Title 68 provides that use tax shall not apply to "the use of tangible personal property . . . specifically exempted from taxation under the Oklahoma Sales Tax Code."

leaves the manufacturing site. Subsection (b) of Oklahoma Administrative Code 710:65-13-150.1 sets forth the activities encompassed in a manufacturing operation and gives examples of the tools, supplies, machinery, equipment, including forklifts utilized in these areas which are eligible for exemption when purchased by a manufacturer holding a manufacturers sales tax exemption permit. Additionally, purchases of repair or replacement parts for maintenance of machinery used in the manufacturing operation, at a manufacturing site, are exempt from sales and use tax. OAC 710:65-13-150.1(b)(2)(D)(i).

Our records indicate that was issued a manufacturers sales tax exemption permit number by the Oklahoma Tax Commission. Therefore, based on the above-stated facts, purchase of new tires for its forklifts used in its manufacturing operation would qualify for the sales tax exemption afforded manufacturers in 68 O.S. § 1359(1).

This response applies only to the circumstances discussed in your written request of June 1, 2012. Pursuant to Oklahoma Administrative Code 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 Analyst