OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

PHONE (405) 521-3133
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July 22, 2013

Re: LR-12-087; Sales Tax Treatment of Telecommunication Services discounted through the Federal and State Lifeline Programs

Dear

This is in response to your inquiry for clarification on how to tax telecommunication services which are discounted through the Federal and State Lifeline Programs.

Gross receipts or gross proceeds is the base upon which sales tax is calculated. Oklahoma Administrative Code 710:65-1-9 allows discounts that are not reimbursed by third parties to be deducted from gross receipts. The total amount of the credits which are reimbursed to the telecommunications provider, pursuant to the Federal and State Lifeline Programs, where the credits appear on the eligible customer's bill, is subject to sales tax.

Additionally, the value of the free phone that you provide to your customers is not subject to sales tax.[1] See 68 O. S. § 1357(26) and Oklahoma Administrative Code 710:65-19-330.

This response applies only to the circumstances discussed in your request of October 10, 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

Brenda J. Sullivan

Brenda J. Sullivan
Tax Policy Analyst

[1] "Sales of wireless telecommunications equipment to a wireless telecommunications vendor, who subsequently transfers the equipment to a customer for no charge or for a discounted charge, in connection with the customer's purchase of new or continued wireless telecommunications service, is exempt."