

OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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June 25, 2013

Re: LR-12-106;

Dear

This is in response to your inquiry regarding sales and service of medical equipment and parts. Set forth are the facts and issues presented and the response thereto.

FACTS

is a corporation whose primary business is the sales and service of medical equipment and parts. principal office is located in Indiana, but is registered for business in the State of Oklahoma. A facet of business is providing service to CT Scanners under Service Agreements to customers in Oklahoma. Such Service Agreements can be either executed at the time of the purchase of CT equipment from or simply executed by the customer to cover a CT Scanner that they already have installed. These Service Agreements can cover both labor and parts, or labor only. All of Service Agreements are optional.

ISSUE 1) The first issue on which we are requesting information is in regards to sales tax and whether revenue received from Service Agreements is taxable or non-taxable. Service Agreement are not included as part of the sale of equipment, and are always invoiced separately. In the case of a Service Agreement covering both parts and labor, however, the fee is not separated between the two.

RESPONSE

In accordance with Oklahoma Administrative Code 710:65-19-365(c), the charge for an optional maintenance agreement or extended warranty, which is separately stated on the invoice is not subject to sales tax. Charges for parts used to make extended warranty repairs are subject to sales

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IT IS OUR MISSION TO SERVE THE PEOPLE OF OKLAHOMA BY PROMOTING TAX COMPLIANCE THROUGH QUALITY SERVICE AND FAIR ADMINISTRATION