

OKLAHOMA TAX COMMISSION



TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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

July 7, 2014

Re: LR-13-079;

Dear

This is in response to your request for a written response of the taxability of your maintenance contracts. Set forth are the facts presented and the response thereto.

FACTS

We currently quote maintenance contracts to include parts, service, and labor as a single line item. We have been told when we quote maintenance contracts this way the entire contract is taxable.

RESPONSE

In accordance with Oklahoma Administrative Code 710:65-19-365(c), if the price paid for the equipment includes an extended maintenance agreement or warranty, the buyer pays sales tax on the entire purchase price including the maintenance agreement. If the extended maintenance agreement is not included in the sales price but is stated separately and the buyer has an option of purchasing the agreement, the maintenance agreement is not considered to be a part of taxable gross proceeds.

A manufacturer's original product warranty¹ is included within the basis for determining sales tax, without regard for whether the charges for the warranty and for the product are separately stated.

Attached is a copy of the above-referenced Oklahoma administrative rule provision.

This response applies only to the circumstances discussed in your request of October 31, 2013. Pursuant to Oklahoma Administrative Code 710:1-3-73(e), this Letter Ruling may be generally

¹ "Manufacturer's original product warranty" means those warranties which are provided as a condition of all sales of a product and which constitute an indistinguishable part of the product sold. OAC 710:65-19-371.

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

A handwritten signature in black ink that reads "Brenda J. Sullivan". The signature is written in a cursive style with a large, stylized initial 'B'.

Brenda J. Sullivan
Tax Policy Analyst