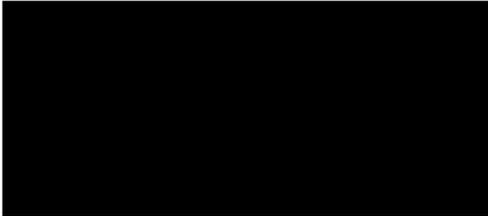


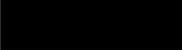
OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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



Re: LR-14-52 (Sales Tax Inquiry)

Dear 

This is in response to your request for a determination of whether certain oilfield equipment is subject to sales tax. Set forth verbatim are the facts presented in your correspondence of August 13, 2014, along with the question posed and our response thereto.

Facts

I am doing some research on the taxability of certain oilfield equipment. On Monday I spoke on the phone to a representative at the Oklahoma Tax Commission. I was advised to fax my question to this number and an answer would be sent back, along with the relevant supporting documentation.

I understand that Oklahoma has a sales tax exemption for the purchase of machinery and equipment used directly in the manufacturing process, including replacement parts.

Question:

Does this exemption apply to oilfield production equipment such as vertical separators, vertical scrubbers, line heaters, oil stabilizers, etc? Should the purchase of this type of equipment be exempt from sales tax?

The representative I spoke to said that the equipment purchase was exempt from sales tax and referred me to OAC 710:65-7-13 for additional support.

Please confirm that this equipment is exempt from sales tax and please specify the Oklahoma Tax Commission policy documentation and any subsequent rulings or interpretations that support this exemption.

Response:

The aforementioned oilfield equipment is subject to sales tax, and is not a part of the manufacturer exemption. The Oklahoma Statutes state that, “‘Manufacturing’ does not include extractive industrial activities such as mining, quarrying, logging, and drilling for oil, gas and water, nor oil and gas field processes, such as natural pressure reduction, mechanical separation, heating, cooling, dehydration and compression.” 68 O.S. § 1352(14).

Based upon the facts provided, the oilfield equipment does not fall under the manufacturer exemption, and is therefore subject to Oklahoma sales tax.

Attached are copies of the above-referenced Oklahoma Tax Commission administrative rule provisions and forms.

This response applies only to the circumstances discussed in your request of August 13, 2014. 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

A handwritten signature in black ink that reads "Morgan E. Lankford". The signature is written in a cursive style with a large, stylized initial 'M'.

Morgan E. Lankford
Tax Policy Analyst