OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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June 24, 2015

Re: Our File Number LR-14-062

Dear

I am writing this letter in response to your request regarding Oklahoma sales tax. Set forth verbatim are the facts presented along with the responses thereto.

Facts:

My company conducts bill audits of workers compensation claims for only the surgical implants. We have had providers submit a Direct Tax Permit to us in order to get reimbursed for taxes that do not appear on the invoice. We have some questions related to direct pay permit. The following questions pertain to health care providers Direct Pay Permits only:

1. In Title 710 Ch 65, OK Tax Commission Sales and Use Tax, It states:

   Documentation for healthcare providers. The applicant must be making purchase of drugs for the treatment of human beings, medical appliances, medical devices and other medical equipment including but not limited to corrective eyeglasses, contact lenses, hearing aids, prosthetic devices, durable medical equipment, and mobility-enhancing equipment for administration or distribution by a practitioner, as defined in 68 O.S. 1357.6 (B), who is authorized by law to administer or distribute the referenced items and the cost of such items will be reimbursed under the Medicare or Medicaid programs.

   I am interpreting the passage to mean that if the item is not reimbursed under Medicare/Medicaid rules, then the facility is not allowed to direct pay their taxes for that item. Can you advise if that is correct?

Response: No, pursuant to Section 1364.1 of Title 68 health care providers may qualify for a permit, to make direct payment to the Oklahoma Tax Commission of sales or use taxes rather than paying the taxes to the vendor when making purchases of items for use or consumption.

2. Oklahoma Workers Compensation Regulations allow for tax to be reimbursed for the implants when it's on the invoice. If tax is not on the invoice, but the provider has a Direct Pay Permit, how are we supposed to determine the tax amount to be reimbursed? Is the provider supposed to indicate the tax reimbursement amount that is requested?

Response: The determination regarding acceptable documentation of any tax accrued by a provider for implant purchases for purposes of receiving a tax reimbursement pursuant to Workers Compensation Regulations is outside the administrative purview of the Oklahoma Tax Commission. Further, tax accrued by the provider on these implant purchases cannot be documented through the files and records of the Tax Commission.

This response applies only to the circumstances discussed in your request of September 5, 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

Brenda J. Sullivan
Tax Policy Analyst