OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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

June 24, 2015

RE: LR-14-063 (Use Tax Inquiry)

Dear

This letter is in response to your request regarding Oklahoma use tax. Set forth verbatim are the facts presented along with the question posed and the responses thereto.

Facts:

We are trying to determine the use tax consequences if we move an oil and gas drilling rig or workover rig into Oklahoma from Louisiana. I was asked to send the questions via fax. Our questions are outlined below:

(1) Would a used drilling rig moved into the state be required to pay use tax and if so, would the cost basis be the original cost or depreciated value? Would it matter how long the rig had been used previously? Would new replacement equipment added to the rig be treated differently?

Response:

Use tax is due on the purchase price of tangible personal property acquired out-of-state and brought into Oklahoma for use or consumption. 68 O.S. § 1402. No provision exists in the Oklahoma statutes that provides for or alternatively allows the calculation of use tax on the depreciated value on items subject to Oklahoma use tax. Therefore, use tax must be computed on the amount paid by to acquire the drilling rig and replacement equipment.

(2) Would county use tax apply, and if so, would credits for taxes paid in other states be granted, and if so, would it be state credits vs. the Oklahoma state rate and

county/parish taxes vs. Oklahoma county tax, or would all the taxes be combined in the credit calculation: If the cost basis for use tax is depreciated on used equipment, would the tax credits also be depreciated?

Response:

In addition to state use tax, any applicable county and municipal use tax should be accrued on the drilling rig and replacement equipment. In accordance with the parameters outlined below the state of Oklahoma does allow a credit against Oklahoma use tax for tax paid in another state. If the rate charged by another state is less than the one charged by Oklahoma, the difference in the rate is to be multiplied by the purchase price of the tangible personal property to arrive at the amount of tax due for that purchase. OAC 710:65-21-20. Likewise, a credit against any municipal or county use tax paid may be taken if a municipal or county sales or use tax, respectively, has been paid to an out-of-state municipality or county. Id. However, no credit shall be given for tax paid in another state, if that state does not grant a like credit for taxes paid in Oklahoma. 68 O.S. § 1404(3).

Please note that the response provided herein assumes that the referenced drilling rig does not constitute special mobilized machinery[1] subject to the registration and excise tax requirements of 47 O.S. § 1129 and 68 O.S. § 2103.

This response applies only to the circumstances discussed in your written request of August 29, 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

Marc Morrison
Tax Policy Analyst

[1] Pursuant to Section 1102(31) of Title 47 "special mobilized machinery" means special purpose machines or devices, either self-propelled or drawn as trailers or semitrailers, which derive no revenue from the transportation of persons or property, whose use of the highway is only incidental, and whose useful revenue producing service is performed at destinations in an area away from the traveled surface of an established open highway.