DISCLAIMER

This Tax Fact Sheet does not constitute legal advice. The information is provided to help taxpayers become more familiar with Oklahoma tax laws. Nothing in this handout supersedes, alters, or otherwise changes any provisions of the tax law, administrative rules, or court decisions.

Any conflict between the information in this handout and the Oklahoma Statutes or Administrative Code should be resolved by compliance with the Statutes and the Code. Taxpayers are responsible for compliance with the tax laws and any reliance on the information in this handout does not mitigate that responsibility.

The Fact Sheet is designed as a general guide to the Optometrist and Eyeglass Retailers on how sales and use taxes apply to items and services sold or consumed. If your specific question is not answered, please call our toll-free number at 405-521-3251 weekdays from 8AM to 4PM CST.

OPTOMETRISTS AND EYEGLASSES
Similar Optical Services

If you are a business that

- Provides eye exams to patients,

- Provides prescription eyeglasses or contact lenses to your patients as part of your service,

- Sells prescription eyeglasses or contact lenses to someone who is not your patient,

- Sells items other than prescription eyeglasses or contact lenses to customers or patients,

- Sells prescription eyeglasses or contact lenses to customers but is not an optometrist or ophthalmologist, or

- Sells eyeglasses to retailers, optometrists, or ophthalmologists,

it is important to understand which transactions are subject to sales tax. This Fact Sheet explains how state and local sales taxes apply to transactions involving the sale of eyeglasses and similar types of tangible personal property.

Gross receipts from the sale or rental of tangible personal property are subject to state sales tax, plus applicable municipal and county sales taxes, unless specifically exempted by the Oklahoma Sales Tax Code.

Tangible personal property includes items that can be seen, weighed, measured, felt, or
touched, and are not permanently attached to real property or land.

The sale of eyeglasses and contact lenses may be subject to sales tax. Where the eyeglass or contact lens prescription is filled will determine if sales tax is due from the customer.

Optometrists and ophthalmologists provide services such as eye exams and eye surgeries. Any items related to those services provided are considered incidental expenses to the service provided.

To be considered a patient of an optometrist or ophthalmologist, the doctor must have performed some type of exam or surgery on the individual.

**SALES TAX DIRECT PAY PERMIT**

Optometrists and ophthalmologists who provide services or make sales reimbursed by Medicaid may apply for a Direct Pay Sales Tax Permit. Instead of paying tax at the time of purchase, a Direct Pay Permit allows the permit holder to purchase items exempt from sales or use tax and submit the tax directly to the Oklahoma Tax Commission (OTC) at the time of taxable use or consumption.

**Eyeglass Purchases and Sales: Where is the Sales Tax Paid**

Retailers and Wholesalers of eyeglasses or contact lenses, that are not optometrists or ophthalmologists, must charge the customer sales tax and remit the tax to the (OTC), unless the customer is specifically exempted by Oklahoma Statutes.

Retailers must obtain an Oklahoma Sales Tax Permit from the OTC to purchase items for resale exempt from sales tax. Tax collected from the customer must be remitted on all sales subject to sales tax.

**Optometrists and Ophthalmologists** are the consumers of items used or dispensed as part of the services to their own patients.

Eyeglass frames, eyeglass lenses, contact lenses, and other related items dispensed by the doctor in such cases are not taxable to the patient, but they are taxable to the prescribing doctor. The vendor must charge and collect sales tax from the optometrist or ophthalmologist unless an Oklahoma Sales Tax Permit is provided by the optometrist.

*If someone other than the prescribing doctor, fills the eyeglass or contact lens prescription, the transaction is taxable to the patient. The seller will be considered a retailer and not the consumer, even if the seller is another optometrist or ophthalmologist.* The doctor must remit sales tax to the OTC even if he or she has paid consumer use tax on the purchase of the items.

If an optometrist or ophthalmologist acts as a retailer, the doctor will be required to obtain an Oklahoma Sales Tax Permit. When a sale is made to someone other than the doctor’s patient, sales tax must be charged to the customer and remitted to the OTC.

**EXAMPLE:** Sales of items purchased by optometrists and sold to non-patients.
Mary goes to Dr. Smith, an optometrist, to have her eyes examined. Dr. Smith prescribes eyeglasses, but does not carry any eyeglass frames that Mary likes.

Mary visits Dr. Jones, another optometrist, and purchases a pair of eyeglasses that she likes using the prescription from Dr. Smith.

The sale of eyeglasses is subject to sales tax since Dr. Jones is not the prescribing doctor. His or her office shall collect and remit sales tax on the transaction, even if the office has already remitted consumer use tax on the eyeglasses at the time of purchase.

When an optometrist or ophthalmologist has obtained an Oklahoma Sales Tax Permit, the permit may be used to purchase eyeglasses, contact lenses, and other related items intended for resale exempt from sales tax. A copy of the OTC Sales Tax Permit or Direct Pay Permit should be provided to the vendor at the time of purchase.

Sales tax would be reported and remitted on sales to non-patients and on items purchased tax exempt but that became part of the services provided by the doctor when filling eyeglass or contact lenses prescriptions.

**EXAMPLE – Sales of items purchased by optometrists for resale using a Sales Tax Permit:**

Eyeglasses sold to a non-patient:
- Purchased the item exempt from sales tax
- Charged the customer sales tax on the total retail sales price of the eyeglasses
- Remitted the tax on the sales price to the OTC

Eyeglasses sold to a patient to who is prescribed eyeglasses as part of the doctor’s regular service:
- Purchased the item exempt from sales tax
- Did NOT charge the customer sales tax since it was part of the eye exam service
- Reported the cost of the eyeglasses on line two of the sales tax return as a withdrawal from inventory
- Remitted the tax on the cost of the eyeglasses to the OTC

If an optometrist paid tax to a vendor on items that were administered or distributed under the Medicaid law, a refund may be requested from the OTC, unless purchased sales tax exempt using an OTC Sales Tax Permit or Direct Pay Permit.

If an optometrist is reimbursed the cost of eyeglasses or contact lenses by an insurance company, and the reimbursement includes sales tax, the doctor must remit the tax to the OTC.

Ophthalmologists who provide items as part of eye surgery are the consumer of the items. Prescription drugs, as defined under 68 O.S §1357(9), are exempt from sales tax when provided to the patient.

**Medicare / Medicaid Sales**

Sales made on behalf of a patient covered by Medicaid, pursuant to a prescription or work order of a practitioner, and the cost of which will be reimbursed by Medicaid, are exempt from sales tax.
Documentation needed to support the exempt transaction include:

1. A copy of the prescription from the doctor indicating that the prescription is for a child covered by Medicaid.

2. The name and address of the person benefiting from the item being purchased.

3. A copy of the document showing that the person on whose behalf the item is being purchased is a Medicaid patient (OAC § 710:65-13-173).

Medicare currently does not reimburse for corrective eyeglasses or contact lenses.

Other Exempt Sales

A qualifying 100% disabled veteran, who has an Exemption Permit from the OTC, may purchase eyeglasses and contact lenses from a retailer exempt from sales tax. A copy of the Exemption Permit must be kept on file to support the exemption taken.

Sales made directly to a statutorily exempt entity, such as a church or tribe, and paid for by that entity are exempt from sales tax. The transaction must be billed to and paid for with funds of the qualifying exempt entity. In addition, documentation must be kept to support the exemption, including a copy of the Exemption Permit or OTC letter and proof of billing and payment from the exempt entity.

Relevant Administrative Code Provisions

OKLAHOMA ADMINISTRATIVE CODE
(OAC) § 710:65-1-2: Sale means the transfer of title or possession of tangible personal property for a valuable consideration.

OAC § 710:65-13-170(a): Sales of drugs, except for over-the-counter drugs, prescribed for the treatment of human beings by a person licensed to prescribe the drugs are exempt from sales tax.

OAC § 710:65-19-261:
(a) Physicians and optometrists are the consumers of the supplies, medicines, etc. they use in the practice of their profession. Sales of supplies, etc., to them are subject to sales tax.

(b) When physicians or surgeons sell items of tangible personal property…to purchasers apart from their rendering of service as physicians or surgeons, they collect, report and remit sales tax on the gross receipts from these sales.

(c) Physicians and optometrists are engaged in professions that primarily render service. To the extent to which they engage in such professions, they are not engaged in the business of selling tangible personal property to purchasers within the meaning of the Code. Consequently, they are not required to remit sales tax measured by their receipts from engaging in such professions, including receipts from both services and tangible personal property dispensed incidentally to such service, such as eyeglasses or contact lenses. However, the physician or optometrist must pay sales or use tax when purchasing such tangible personal property.
OAC § 710:65-13-173: Sales of medical appliances, medical devices and other medical equipment furnished to Medicare/Medicaid program recipients are exempt if all of the following requirement are met:

1. The item is a drug, medical appliance, medical device, or medical equipment as defined in 710:65-13-169.
2. The item is administered or distributed by a "practitioner" or purchased or leased, by or on behalf of an individual, pursuant to a prescription or work order of a practitioner; and
3. The item is furnished to a Medicare or Medicaid program recipient and the cost of said item will be reimbursed by Medicare or Medicaid.

Determine the Local Sales Tax Rates

Many municipalities and counties in Oklahoma have sales and use taxes in addition to the state sales tax. If a sale or lease/rental is made in one of those locations, the product or service is subject to that municipality and/or county tax.

To determine the correct amount of sales tax due, the state, county, and city tax rates must be combined for the total sales tax rate to be charged.

Oklahoma provides a Sales & Use Tax Rate Locator System on our website at www.tax.ok.gov. The system allows you to search for the correct tax rate based on the location of the transaction using either the address or zip+4.

Required Record Keeping

Oklahoma requires all businesses that sell, lease, or rent tangible personal property or perform taxable services to have an Oklahoma Sales Tax Permit. Each business location within the state must have its own sales tax permit.

Records, such as sales journals, daily sales logs, cash register tapes, invoices, bills of lading, purchase invoices, receipts, and all other records, papers, and documents pertaining to the operation of the business are to be kept for a minimum of three years and to be made available for inspection during business hours.

For most vendors, sales tax reports are to be filed by the 20th day of the month following the month of the transaction.

Collecting the Correct Amount of Tax
Questions?

For more information, please visit us on the web at www.tax.ok.gov or call our Taxpayer Service Center at (405) 521-3160.