

May 1, 2009

RE: LR 09-065
Sales Tax Inquiry

Dear

I am writing this letter in response to your request to determine if sales tax should be charged on the property taxes and the administrative fees on the items that you lease.

Facts:

is a lessor of equipment with a wide range of equipment from office equipment to medical and industrial equipment. Your contracts include fair market value leases and conditional sales contracts. Your standard agreement requires your customers to reimburse you for personal property taxes paid on equipment in their possession as well as a nominal \$10.00 fee for the administration of taxes.

Your Question:

Are these fees and reimbursements of property taxes to be included in gross proceeds and therefore subject to sales tax as mentioned in Oklahoma Tax Commission rule 710:65-1-11 (c)?

Our Response:

Yes, these charges are subject to sales tax, however, if the charge or lease charge is based on the retail value of the property at the time of entering the lease agreement and the life expectancy of the property, and the rental charge is separately stated from the service in the bill or invoice delivered to the lessee, then sales tax shall be due only on the rental amount.

This response applies only to the circumstances discussed in your written request of April 17, 2009. Pursuant to Commission Rule 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 & Research Division