



**Sales & Use Tax 101 -
A Basic Level Overview
for CPAs**

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With You Today



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LIMITATION OF PURPOSE

This document supports SALTA, PLLC's marketing of professional services, and is not written tax advice directed at the particular facts and circumstances of any person. If you are interested in the subject of this document we encourage you to contact us or an independent tax advisor to discuss the potential application to your particular situation.

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LEARNING OBJECTIVES

- Gain a basic understanding of sales and use taxes so that you can recognize important issues in order to keep your employer or your clients in good stead regarding sales and use tax matters.
- TIP: Engagement letters – Public accountants should consider adding a clause in their SOWs specifically stating that they are not providing services for state and local taxes – unless they intend to.

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STATE LAW

- Explanations of tax laws in this presentation pertain to Oklahoma unless noted. Sales tax laws vary between states and are frequently inconsistent.

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AGENDA

- 1) Sales and Use Taxes and the Difference Between Them
 - 2) Transactions on Which These Taxes are Imposed
 - 3) Temporary Storage in Oklahoma
 - 4) Defaults, Exclusions, and Exemptions
 - 5) Basis of The Tax
 - 6) Doing Business in Other States
 - 7) Sales of Business Assets
 - 8) Contractors
- BONUS MATERIALS – 9) Duties of Sellers & 10) Duties of Purchasers

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- 1) [Sales and Use Taxes and the Difference Between Them](#)
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1) Sales and Use Taxes and the Difference Between Them

- Sales Tax – Imposed on **intrastate** transactions/sales
 - Normally occurs when a vendor makes in-state sales
 - Also applies to withdrawals from inventory held for resale for purposes other than resale
 - *** (Technically also applies when tax is accrued by a purchaser on in-state sales)
- Use Tax – Imposed on **interstate** transactions/sales
 - Vendor's Use Tax
 - Consumer's Use Tax

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1) Sales and Use Taxes and the Difference Between Them

Example sales transactions for each type of tax:

- OKC vendor to Tulsa purchaser = sales tax
- Dallas vendor with nexus in OK sells to Tulsa purchaser = vendor's use tax
- Dallas vendor with no nexus in OK sells to Tulsa purchaser = consumer's use tax (unless an exemption applies)

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1) Sales and Use Taxes and the Difference Between Them

Why does it matter what type of tax applies?

- Primary responsibility for in-state sales rests on in-state sellers
- However, Oklahoma, like most states can and will pursue the buyer and seller (or both on occasion!) on an equal basis for non-taxed instate sales
- A few local jurisdictions impose sales tax, but not a complimentary use tax
- For purchases of items to be used out-of-state, an exemption applies for use tax, but not sales tax

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2) Transactions on Which These Taxes are Imposed

What types of sales are subject to sales and use taxes?

- Tangible personal property – by default
- Services – only on specified services on which tax has been imposed – by default, services are excluded from tax
- Real property – not taxable
- Intangible property – not taxable – example: gift cards

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2) Transactions on Which These Taxes are Imposed

What services are currently subject to sales tax?

- admissions, dues or fees for the privilege of use of athletic, recreational, amusement, or entertainment facilities
- lodging
- utilities
- telecommunications
- parking
- storage

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2) Transactions on Which These Taxes are Imposed

What about transactions between related entities?

- **Transaction based tax** - Imposed on transactions in which ownership of property is transferred
 - Applies to *inter-company* sales or transfers between related companies (any transfers between different legal persons)
 - Does not apply to *intra-company* transfers between divisions, etc. inside a legal entity

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2) Transactions on Which These Taxes are Imposed

What about transactions between related entities?

- **Example:** Acme Company has two legal entities: FabCo and ContractorCo. Fabco builds components for large storage tanks and transfers them to ContractorCo, who builds these components into large tanks at customer sites.
 - The transfer between FabCo and ContractorCo is subject to sales tax.
 - Note: if these two entities were collapsed into a single entity that performed all of these functions, the fabrication labor costs would never be taxed.

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6.) Sales Tax Treatment of Purchases: Items Temporarily Stored in OK

- Sales tax applies to all goods sold in Oklahoma, regardless of situations where the purchaser intentionally purchases goods to be used out-of-state.
- **OK provides a refund of USE TAX** for items temporarily stored in OK for usage out-of-state; However, no sales tax exemption applies, so vendors must collect tax, and the purchaser cannot receive a refund of Oklahoma taxes.

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Sales Tax Treatment of Purchases: Items Temporarily Stored in OK

- OK use tax accrual and remittance is required when items are purchased in state, but the tax is refundable when goods are transferred for usage out of state
- **Correct treatment** for items temporarily stored in OK then used out of state, on which OK use tax was accrued = **apply for refund and accrue other state's use tax**
- **Nearly every state allows a credit** for sales or use taxes previously paid and legally imposed on items brought into their state on which tax had been previously paid to another state, in this case, Oklahoma.

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Sales Tax Treatment of Purchases: Items Temporarily Stored in OK

- Recently, states have disallowed credit for the use tax paid to Oklahoma **because the tax is refundable**, regardless of whether or not the taxpayer actually received a refund of the tax.
- If the other state's use tax is not accrued, this creates **audit exposure**
- Additionally, if the OK use tax is not credited – **can result in double taxation** – **Bonus problem** – OK only allows a two year window for refund claims!

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Sales Tax Treatment of Purchases: Items Temporarily Stored in OK

- **Solution:**
 - Use DPP to accrue tax when **withdrawn** for transport to usage location. DPP holders are not required to accrue tax on purchases temporarily stored in OK but intended for usage in other state
 - Alternate Solution – Usage of a Purchasing Company

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4) Defaults, Exclusions, and Exemptions

- Defaults and Exclusions
 - By **default**, sales of TPP are taxable because the imposition statute states that sales of TPP are taxable – *Exception*: a specific **exemption** must apply to a transaction for the sale to be tax free
 - Example – Acme sells a desk. The sale is taxable, unless the purchaser provides a resale exemption certificate (or some other exemption certificate – such as a non-taxable purchaser [such as Boy Scouts]).

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4) Defaults, Exclusions, and Exemptions

- Defaults and Exclusions
 - By default, sales of real property, intangible property, and services are not taxable *because no law imposes tax on these types of transactions generally.* These transactions are **excluded** from taxation. Exception: Tax is imposed on specific services. Currently, in Oklahoma no sales of real or intangible property are taxed.
 - Examples: sales of gift cards, real property, legal services are all excluded from taxation

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4) Defaults, Exclusions, and Exemptions

- Exemptions: Purchasers (O.S. 68 Sect. 1356)
 - Misconception: All entities that are exempt from income taxes (for example 501©(3) organizations) are exempt from sales taxes

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4) Defaults, Exclusions, and Exemptions

- **Exemptions: Purchasers** (O.S. 68 Sect. 1356)
 - US government, many OK state government agencies, and OK political subdivisions – including a long list of quasi-governmental agencies, including Volunteer FDs
 - Churches
 - Colleges, public and private schools, including some associated organizations such as PTAs

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4) Defaults, Exclusions, and Exemptions

- **Exemptions: Purchasers** (O.S. 68 Sect. 1356) - cont.
 - Boy and Girl Scouts; Campfire USA
 - Athletic tickets by tax-by entities exempt from federal taxation under 501©4
 - 4 H Clubs
 - Museums
 - Others

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Exempt Entities - entities which must obtain an exemption card or letter from the OTC certifying a specific statutory exemption

- Adjudicated Juveniles - Children's Home for [1356(21)]
- Agriculture Exemption [1358; 1358.1]
- Boys and Girls Clubs [1356(20)]
- Boys Scouts [1356(9)]
- Cable Television - Licensed Cable Television Operators [1359(9)]
- Campfire Girls [1356(9)]
- Career Technology Student Organization [1356(50)]
- Children's Homes Supported by Churches [1356(27)]
- Churches [1356(7)]
- City/County Trusts and Authorities [1356(1) or 60 O.S. § 176]
- Collection and Distribution Organization [1357(14.a.1)]
- Community Based Health Centers [1356(22d)]

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Exempt Entities - entities which must obtain an exemption card or letter from the OTC certifying a specific statutory exemption

- Community Based Autonomus Member [1356(57)]
- Community Health Charities [1356(61)]
- County Governments [1356(1)]
- Daughters of the American Revolution
- Disabled American Veterans Department of Oklahoma [1356(28)]
- 100% Disabled Veteran [1357(34)]
- Disadvantage Children - Cultural Organization for [1356(24)]
- Federal Credit Union - Federal Law [Title 12 U.S.C., § 1768]
- Federal Governments [1356(1)]
- Federally Qualified Health Care Facility [1356(22a)]
- Federally Recognized Indian Tribes
- Girl Scouts [1356(9)]

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Exempt Entities - entities which must obtain an exemption card or letter from the OTC certifying a specific statutory exemption – *cont.*

- Grand River Dam Authority [1356(10)]
- Independent Nonprofit Biomedical Research Foundation [1357(25)]
- Independent Nonprofit Community Blood Bank - Headquartered in this state [1357(25)]
- Indigent Health - Clinics receiving funds from the Indigent Health Care Revolving Fund [1356(22c)]
- Meals on Wheels - Organization which provides prepared meals for home consumption to the elderly or homebound [1357(13a) Text as amended by Laws 2006, 2nd Ex. Sess., C. 44, Sect. 5, eff. July 1, 2007.]
- Metropolitan Area Homeless Service Provider [1356(54)]
- Migrant Health Center [1356(22b)]

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Exempt Entities - entities which must obtain an exemption card or letter from the OTC certifying a specific statutory exemption – *cont.*

- Motion Picture/Television Production Companies [1357(23)]
- Municipal Governments [1356(1)]
- Museums - Accredited by the American Association of Museums [1356(25)]
- National Volunteer Women's Service Organization [1356(62)]
- Oklahoma Coal Mining Companies [1359(13)]
- Older American - Organizations providing nutrition programs for the care and benefit of elderly persons [1357(13b) Text as amended by Laws 2006, 2nd Ex. Sess., C. 44, Sect. 5, eff. July 1, 2007.]
- Private Schools Elementary/Secondary [1356(11)]
- Private Schools Higher Education [1356(11)]
- PTA/PTO Organizations [1356(13a.6)]

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Exempt Entities - entities which must obtain an exemption card or letter from the OTC certifying a specific statutory exemption – *cont.*

- Public Schools [1356(13a.1)]
- Qualified Neighborhood Watch Organization [1356(53)]
- Radio/Television - Licensed Radio/Television Station for Broadcasting [1359(8)]
- Rural Electric Coops [18 O.S. § 437.25]
- Rural Water Districts [1356(10)]
- State Governments [1356(1)]
- Veterans of Foreign Wars of the United States, Oklahoma Chapters [1356(64)]
- Volunteer Fire Department [1356.1 - 1356(17)]
- YMCA/YWCA [1356(63)]

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Exempt Entities - entities which must obtain an exemption card or letter from the OTC certifying a specific statutory exemption – *cont.*

- Youth Camps - Supported or Sponsored by Churches [1356(29)]

NOTE: Bracketed numbers represent reference to Oklahoma Statutes. All are Title 68 unless otherwise noted.

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4) Defaults, Exclusions, and Exemptions

- **Exemptions: Sellers** - cont.
 - US government, OK state government and agencies, and OK political subdivisions
 - Churches
 - Colleges, public and private schools, including PTAs etc.
 - Boy and Girl Scouts
 - Museums
 - Others (See OTC's "Packet E" for complete)

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4) Defaults, Exclusions, and Exemptions

- **Exemptions: Usages**
 - **Resale exemption** – This exemption applies to goods that are resold, including packaging materials. In order to claim the resale exemption, the buyer must have a sales tax account. Out-of-state purchasers may supply their home state's account number for drop shipments the seller makes for them.
 - Vendors – **IMPORTANT** – Collect and maintain valid exemption certificates!!!

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4) Defaults, Exclusions, and Exemptions

- Exemptions: Usages
 - **Manufacturing exemption:**
 - Purchases – Manufacturers are entitled to a generous exemption of various inputs into the manufacturing process, including utilities, consumables used in manufacturing, safety apparel, machinery and equipment, etc. but ONLY IF they obtain an MSEP.

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4) Defaults, Exclusions, and Exemptions

- Exemptions: Usages
 - Manufacturing exemption:
 - The exemption applies to “goods, wares, merchandise, tangible personal property, machinery and equipment sold to a manufacturer for use in a manufacturing operation” (Oklahoma Administrative Code 710:65-13-150.1 and Okla. Stat. 68 §1359[1])

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4) Defaults, Exclusions, and Exemptions

- Exemptions: Usages
 - Manufacturing exemption:
 - Exemption begins where materials enter manufacturing site, and continue through the point where the items leave the site (68 O.S. Sec. 1352(15))
 - This is a VERY broad exemption – covers the integrated manufacturing process - includes items like storage racks for materials and goods.
 - Extends to machinery, utilities and chemicals consumed for pollution control

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4) Defaults, Exclusions, and Exemptions

- Exemptions: Usages
 - Manufacturing exemption:
 - Covers machinery and repair parts for it, consumables (such as welding gas, machine lubricants, safety apparel for employees, boiler chemicals, cutting fluid, ammonia, hydraulic fluid, catalysts, etc.), and utilities used in manufacturing at the manufacturing facility
 - Manufacturers must obtain a Manufacturer's Sales Tax Exemption Permit ("MSEP") from the OTC to claim the exemption.

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4) Defaults, Exclusions, and Exemptions

- Exemptions: Usages
 - Agricultural exemption:
 - Purchaser must obtain an Agricultural Exemption Card from the Oklahoma Tax Commission
 - An exemption applies to the sale of farm machinery, repair parts, or fuel, oil, lubricants, and other substances used to operate and maintain farm machinery if the machinery is used directly ... in the production, ...of any livestock, poultry, agricultural, or dairy products produced

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4) Defaults, Exclusions, and Exemptions

- Exemptions: Usages
 - Agricultural exemption:
 - An exemption applies to sales of materials, supplies, and equipment to an agricultural permit holder or the permit holder's contractor to construct facilities used directly in the production of any livestock.

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4) Defaults, Exclusions, and Exemptions

- Exemptions: **NO Occasional exemption:**
 - Most states provide an exemption for sales of business assets and other non-regular sales of property.
 - Oklahoma is one of four states that do not!

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5) Basis of The Tax

- The amount of a sale that is subject to sales tax:
 - Is the total cost of the item, including all costs that are bundled together and not separately stated, such as freight-in, installations, warranties, etc.
 - Credit for trade-ins does not reduce the taxable basis.
 - Manufacturer's coupons and rebates do not reduce the taxable basis

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5) Basis of The Tax

- The amount of a sale that is subject to sales tax:
 - Separately stated ancillary charges for installation, freight, finance charges, and taxes (like franchise taxes on utility bills) imposed on the consumer are excluded from the basis.
 - Sales discounts (including buy-one get-one, free items provided with a purchased item, etc.), and early payment discounts do reduce the taxable basis
 - Meals provided to employees: free of charge – sales price!

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6) Doing Business in Other States

- “**Nexus**” (think *connection*) is what determines whether or not sellers must collect tax in a particular taxing jurisdiction
- Traditionally: Nexus required that the taxpayer have at least more than a minimal amount of physical presence in a state.

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6) Doing Business in Other States

- Sales nexus”, “factor presence nexus” theories, and on third party sellers (think: “Amazon”) that host sites where third parties are selling over the internet. This has been referred to as “Click-through nexus”.

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6) Doing Business in Other States

**Sales Tax Tsunami:
The U S Supreme Court’s Wayfair Decision
Economic Nexus**

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June 21, 2018
MultiState, Sellerland USA



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Why do we refer to the result of this decision being a “Tsunami”?

- States now can impose their sales tax laws on vendors who have no physical presence in their state
- This effect of this change extends far beyond large e-commerce sellers – impacting traditional brick-and-mortar sellers like distributors or manufacturers as well as myriads of smaller e-commerce sellers

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What Was the “Wayfair” Case about?

- ✓ Resulted from a SD audit of Wayfair, Inc., an e-commerce seller with no presence in SD
- ✓ SD law asserted nexus for sales tax based on either:
(1) sales values totaling over \$100,000 annually, or
(2) 200 transactions annually.
- ✓ The Court decided by a 5-4 count that the SD law did not violate the nexus standards based on the US Constitution and could impose tax duties on Wayfair

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Economic Nexus: Current Status

- ✓ As of October 1, 2019, 41 states are imposing economic nexus standards (All states except: FL, KS, LA, MO)
- ✓ Most states have established an annual sales threshold of \$100,000 (10 states are higher: TX is \$500K)
- ✓ The measurement of “sales” varies by state:
 - ✓ Some exclude all services
 - ✓ Some exclude non-taxable services
 - ✓ Some exclude exempt sales
 - ✓ The majority include all sales

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6) Doing Business in Other States

- Nexus also applies to “home-ruled” jurisdictions separately in AL, CO, and LA
- In most states, if you have nexus in the state – you must collect all local taxes that are imposed, but for the home-ruled jurisdictions, nexus exists in each specific location based on presence or lack of presence in that jurisdiction

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6) Doing Business in Other States

- Factors creating nexus include payroll or property located in a state.
- Temporary presence for installations, repairs or even regular sales calls to create a market in a state constitutes nexus.
- This is true even if the person performing the service is a contract worker acting as an agent of the seller.

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6) Doing Business in Other States

- Sellers need to be aware of changes in business that could create nexus:
 - Sales activities into additional states
 - Deliveries in company vehicles
 - Repairs or installations
 - Employees in additional states
 - Inventory or facilities in additional states

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7) Sales of Business Assets

BULK SALE RULE

- OK, like most states, may hold the purchaser of a business liable for the seller's unpaid taxes, including sales and use and payroll taxes.
- Purchasers should request that the seller furnish a tax clearance certificate from the OTC stating that no unpaid taxes are on record.

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7) Sales of Business Assets

OCCASIONAL/ISOLATED/CASUAL SALES

- OK is one of the few states that does not provide an exemption for occasional sales (sales of TPP - non-trade assets) except for some very limited exceptions:
 - formation of a new corporation or partnership
 - certain business reorganizations
 - liquidation of a corporation or partnership
- Therefore, in OK, sales of non-inventory business assets are NOT generally exempt.

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7) Sales of Business Assets

OCCASIONAL/ISOLATED/CASUAL SALES

- Causes many surprises to companies making such transactions
- Sellers are primarily responsible for filing a sales tax return to report the sales of business assets
- Identifying the value for which TPP is transferred is a challenge. PLANNING TIP - PSAs should identify values of TPP

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7) Sales of Business Assets

OCCASIONAL/ISOLATED/CASUAL SALES

- The OTC aggressively checks for sales tax reporting of assets shown to be sold – [IRS Form 4797](#)
- Historically, the state had only been pursuing oil and gas operators – being triggered by the filing of change-of-operator forms with the OK Corporation Commission which later shared this information with the OTC
- The OTC has asserted the value of such assets is either 21% of the value of the assets, or based on values in COPAS' CEPS system. [Computerized Equipment Pricing System](#)

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7) Sales of Business Assets

OCCASIONAL/ISOLATED/CASUAL SALES

- The OTC can pursue either the buyer or the seller for taxes due on sales of TPP – including occasional sales
- Normally, the PSA for a sale of business assets indicates that the purchasers must reimburse the seller for sales tax on sales of business assets
- Purchasers may need to obtain a sales tax permit, manufacturer's sales tax exemption permit, or any other exempt designation BEFORE the purchase in order to issue an exemption permit that is effective as of the date of the transaction.

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7) Sales of Business Assets

OCCASIONAL/ISOLATED/CASUAL SALES

- Examples of Tax Liability for Occasional Sales

Example 1: Sale of Restaurant

The sale of a restaurant is made. \$200,000 of the sales price is attributable to equipment, furniture and fixtures and \$10,000 is attributable to food inventory.

Tax is due on the \$200,000 if the buyer provides a re-sale exemption certificate for the food inventory. Otherwise, tax is due on \$210,000.

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7) Sales of Business Assets

OCCASIONAL/ISOLATED/CASUAL SALES

Example 2: Sale of Factory

- The sale of a factory is made with the following breakout: \$200,000 furniture and fixtures, \$800,000 for inventory, and \$5M for mfg. equipment.
 - Tax is due on the \$200,000.
 - If the buyer is registered for a MSEP, an exemption certificate can be issued for the inventory and mfg. equipment. If the buyer holds a sales tax permit, the inventory only could be bought tax free for resale. Otherwise, tax will be due on the entire \$6M.

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7) Sales of Business Assets

OCCASIONAL/ISOLATED/CASUAL SALES

Example 3: Sale of Oil and Gas Properties

- A group of leases on oil and gas properties is made. Allocation of the sale price is included in the PSA, listing the value of each well, but no other detail is provided
 - Tax is due on the TPP – the value of which is an issue
 - The OTC's position: they look to either the sales price, or the remaining undepreciated basis as the taxable amount
 - OTC has looked at buyer's tax return to see the basis being depreciated

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7) Sales of Business Assets

OCCASIONAL/ISOLATED/CASUAL SALES

Example 4: Material Transfers Between Related Entities

- Transfer of assets between partnerships with uncommon ownership is also an issue – mainly affecting oil and gas operators.
Example:

Partnership A (with partners 1,2,3, & 4) transfers materials to Partnership B (with partners 1,2,3, & 5) .

In this case, tax would be due on the proportional ownership of **Partner 4**, who is not an owner in the buying partnership.

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8) Contractors

- Contractors – are deemed to be consumers of materials purchased:
 - Contractors are treated as consumers of the TPP that they either incorporate into real property or consume during construction. As such, they must pay tax on the materials they use. Their billings are not taxable.
 - Normally, the exempt status of customers is irrelevant to taxability of contractors' purchases.

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8) Contractors

- Contractors sometimes “wear multiple hats” – functioning both as a contractor, and also as retailer, fabricator or service provider.
Examples:
 - Fencing contractors who also sell fencing materials over the counter
 - HVAC contractors who fabricate ductwork and sell it to other contractors or the public out of a metal shop.

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8) Contractors

- **Pass-through exemptions**
 - Pass-through exemptions are of special importance to contractors in OK – as the state has provided pass through status to a long list of taxpayers: including refineries, most state and local governmental agencies and churches
 - Additionally, for some types of exempt taxpayers (including agricultural permit holders, colleges, schools, churches, rural electricians, and some state and local government agencies), **the contractor can also purchase consumable materials used in the project on an exempt basis.**

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8) Contractors

- **Entities with Pass-through Exemption Status (OAC 710:65-7-13(b)):**
 - **710:65-7-13(b)(1):**
 - Oklahoma municipalities and counties
 - Public school districts
 - Institutions of the Oklahoma System of Higher Education
 - Rural water districts
 - Specific state agencies and quasi-governmental agencies including: the Grand River Dam Authority, the Northeast Oklahoma Public Facilities Authority, the Oklahoma Municipal Power Authority, the City of Tulsa-Rogers County Port Authority, the Broken Bow Economic Development Authority, the Muskogee City-County Port Authority, the Oklahoma Ordnance Works Authority, the Durant Industrial Authority, the Ardmore Development Authority, the Oklahoma Department of Veterans Affairs, the Central Oklahoma Master Conservancy District, or Department of Central Services only when carrying out a public construction contract on behalf of the Oklahoma Department of Veterans Affairs

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8) Contractors

- **Entities with Pass-through Exemption Status (OAC 710:65-7-13(b)):**
 - **710:65-7-13(b)(2)** Private schools - However, the institution must be registered or accredited with the Oklahoma State Regents for Higher Education, the State Board of Education, or the State Department of Education.
 - **710:65-7-13(b)(3)** Agricultural permit holder to construct a facility which will be used directly in the production of any livestock, including facilities used in the production and storage of feed for livestock
 - **710:65-7-13(b)(4)** Colleges – IF: they are exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and they have exemption status from the Tax Commission
 - **710:65-7-13(b)(5)** Pollution Control Agencies – must have a letter certifying the exemption status from the Tax Commission

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8) Contractors

- **Entities with Pass-through Exemption Status (OAC 710:65-7-13(b)):**
 - **710:65-7-13(b)(6)** A contractor, or a subcontractor to such contractor, with whom a church has duly entered into a construction contract may make purchases of tangible personal property or services exempt from sales tax which are necessary for carrying out such construction contract.
 - **710:65-7-13(b)(7)** Rural electric cooperatives
 - **710:65-7-13(b)(8)** Child care centers operated for educational purposes, qualified for exemption pursuant 68 O.S. §1356(69)
 - **710:65-7-13(b)(9)** Manufacturing operation classified under NAICS No. 324110 (Petroleum Refineries)

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8) Contractors

- Entities with Pass-through Exemption Status – DO NOT INCLUDE:
 - Manufacturers – *except* in the case of refineries.
 - Federal government (68 O.S. Sec 1356(1) and Rule 710:65-13-131). While a party acting as a purchasing agent can make purchases exempt on behalf of the government as long as the government receives the property immediately, a contractor is excluded from exemption because they receive the property before installing it.

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8) Contractors

- In order to document purchases made by contractor claiming exempt basis based on a pass-through exemption, **vendors should require** (see OAC 710:65-7-13(c)) **that contractors provide the following documentation:**
 - A copy of the exemption letter or card issued to one of the entities described in (b) of this Section;
 - Documentation indicating the contractual relationship between the contractor and the entity; and,
 - Certification by the purchaser, on the face of each invoice or sales receipt, setting out the name of the exempt entity and the contract for which the items are purchased

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8) Contractors

- Consumers use tax may be due on **equipment brought into the state**
 - Some states (like TX) have a 'first use' test and exemption, but OK does not
 - OK law requires remittance of use tax if the in-state rate is lower than the tax rate paid the state where originally purchased. The taxable basis is the *original cost*. (see Letter Ruling 14-063, 6/24/2015)
 - **TIP: Contractors who use large equipment, such as cranes, drilling rigs, etc. should track sales tax paid on each unit. LA parishes present similar sales tax issues.**

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QUESTIONS

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Thanks for your attendance today.
You are welcome to call anytime I
can be of help!

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