

1 STATE OF OKLAHOMA

2 1st Session of the 54th Legislature (2013)

3 SENATE BILL 63

By: Ballenger

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5
6 AS INTRODUCED

7 An Act relating to sales tax; amending 68 O.S. 2011,
8 Sections 1352 and 1357, as amended by Section 1,
9 Chapter 233, O.S.L. 2012 (68 O.S. Supp. 2012, Section
10 1357), which relate to application of tax; modifying
11 definition; providing exemption for certain services
12 provided by photographer; and providing an effective
13 date.

14 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

15 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1352, is
16 amended to read as follows:

17 Section 1352. As used in the Oklahoma Sales Tax Code:

18 1. "Bundled transaction" means the retail sale of two or more
19 products, except real property and services to real property, where
20 the products are otherwise distinct and identifiable, and the
21 products are sold for one nonitemized price. A "bundled
22 transaction" does not include the sale of any products in which the
23 sales price varies, or is negotiable, based on the selection by the
24 purchaser of the products included in the transaction. As used in
this paragraph:

1 a. "distinct and identifiable products" does not include:

2 (1) packaging such as containers, boxes, sacks, bags,
3 and bottles, or other materials such as wrapping,
4 labels, tags, and instruction guides, that
5 accompany the retail sale of the products and are
6 incidental or immaterial to the retail sale
7 thereof, including but not limited to, grocery
8 sacks, shoeboxes, dry cleaning garment bags and
9 express delivery envelopes and boxes,

10 (2) a product provided free of charge with the
11 required purchase of another product. A product
12 is provided free of charge if the sales price of
13 the product purchased does not vary depending on
14 the inclusion of the product provided free of
15 charge, or

16 (3) items included in the definition of gross
17 receipts or sales price, pursuant to this
18 section,

19 b. "one nonitemized price" does not include a price that
20 is separately identified by product on binding sales
21 or other supporting sales-related documentation made
22 available to the customer in paper or electronic form
23 including, but not limited to an invoice, bill of
24 sale, receipt, contract, service agreement, lease

1 agreement, periodic notice of rates and services, rate
2 card, or price list,

3 A transaction that otherwise meets the definition of a bundled
4 transaction shall not be considered a bundled transaction if it is:

5 (1) the retail sale of tangible personal property and
6 a service where the tangible personal property is
7 essential to the use of the service, and is
8 provided exclusively in connection with the
9 service, and the true object of the transaction
10 is the service,

11 (2) the retail sale of services where one service is
12 provided that is essential to the use or receipt
13 of a second service and the first service is
14 provided exclusively in connection with the
15 second service and the true object of the
16 transaction is the second service, or

17 (3) a transaction that includes taxable products and
18 nontaxable products and the purchase price or
19 sales price of the taxable products is de
20 minimis. For purposes of this subdivision, "de
21 minimis" means the seller's purchase price or
22 sales price of taxable products is ten percent
23 (10%) or less of the total purchase price or
24 sales price of the bundled products. Sellers

1 shall use either the purchase price or the sales
2 price of the products to determine if the taxable
3 products are de minimis. Sellers may not use a
4 combination of the purchase price and sales price
5 of the products to determine if the taxable
6 products are de minimis. Sellers shall use the
7 full term of a service contract to determine if
8 the taxable products are de minimis, or

9 (4) the retail sale of exempt tangible personal
10 property and taxable tangible personal property
11 where:

12 (a) the transaction includes food and food
13 ingredients, drugs, durable medical
14 equipment, mobility enhancing equipment,
15 over-the-counter drugs, prosthetic devices
16 or medical supplies, and

17 (b) the seller's purchase price or sales price
18 of the taxable tangible personal property is
19 fifty percent (50%) or less of the total
20 purchase price or sales price of the bundled
21 tangible personal property. Sellers may not
22 use a combination of the purchase price and
23 sales price of the tangible personal
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1 property when making the fifty percent (50%)
2 determination for a transaction;

3 2. "Business" means any activity engaged in or caused to be
4 engaged in by any person with the object of gain, benefit, or
5 advantage, either direct or indirect;

6 3. "Commission" or "Tax Commission" means the Oklahoma Tax
7 Commission;

8 4. "Computer" means an electronic device that accepts
9 information in digital or similar form and manipulates it for a
10 result based on a sequence of instructions;

11 5. "Computer software" means a set of coded instructions
12 designed to cause a "computer" or automatic data processing
13 equipment to perform a task;

14 6. "Consumer" or "user" means a person to whom a taxable sale
15 of tangible personal property is made or to whom a taxable service
16 is furnished. "Consumer" or "user" includes all contractors to whom
17 a taxable sale of materials, supplies, equipment, or other tangible
18 personal property is made or to whom a taxable service is furnished
19 to be used or consumed in the performance of any contract;

20 7. "Contractor" means any person who performs any improvement
21 upon real property and who, as a necessary and incidental part of
22 performing such improvement, incorporates tangible personal property
23 belonging to or purchased by the person into the real property being
24 improved;

1 8. "Drug" means a compound, substance or preparation, and any
2 component of a compound, substance or preparation:

- 3 a. recognized in the official United States
4 Pharmacopoeia, official Homeopathic Pharmacopoeia of
5 the United States, or official National Formulary, and
6 supplement to any of them,
7 b. intended for use in the diagnosis, cure, mitigation,
8 treatment, or prevention of disease, or
9 c. intended to affect the structure or any function of
10 the body;

11 9. "Electronic" means relating to technology having electrical,
12 digital, magnetic, wireless, optical, electromagnetic, or similar
13 capabilities;

14 10. "Established place of business" means the location at which
15 any person regularly engages in, conducts, or operates a business in
16 a continuous manner for any length of time, that is open to the
17 public during the hours customary to such business, in which a stock
18 of merchandise for resale is maintained, and which is not exempted
19 by law from attachment, execution, or other species of forced sale
20 barring any satisfaction of any delinquent tax liability accrued
21 under the Oklahoma Sales Tax Code;

22 11. "Fair authority" means:
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- 1 a. any county, municipality, school district, public
2 trust or any other political subdivision of this
3 state, or
- 4 b. any not-for-profit corporation acting pursuant to an
5 agency, operating or management agreement which has
6 been approved or authorized by the governing body of
7 any of the entities specified in subparagraph a of
8 this paragraph which conduct, operate or produce a
9 fair commonly understood to be a county, district or
10 state fair;

- 11 12. a. "Gross receipts", "gross proceeds" or "sales price"
12 means the total amount of consideration, including
13 cash, credit, property and services, for which
14 personal property or services are sold, leased or
15 rented, valued in money, whether received in money or
16 otherwise, without any deduction for the following:
- 17 (1) the seller's cost of the property sold,
 - 18 (2) the cost of materials used, labor or service
19 cost,
 - 20 (3) interest, losses, all costs of transportation to
21 the seller, all taxes imposed on the seller, and
22 any other expense of the seller,
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1 (4) charges by the seller for any services necessary
2 to complete the sale, other than delivery and
3 installation charges,

4 (5) delivery charges and installation charges, unless
5 separately stated on the invoice, billing or
6 similar document given to the purchaser, and

7 (6) credit for any trade-in.

8 b. Such term shall not include:

9 (1) discounts, including cash, term, or coupons that
10 are not reimbursed by a third party that are
11 allowed by a seller and taken by a purchaser on a
12 sale,

13 (2) interest, financing, and carrying charges from
14 credit extended on the sale of personal property
15 or services, if the amount is separately stated
16 on the invoice, bill of sale or similar document
17 given to the purchaser, ~~and~~

18 (3) any taxes legally imposed directly on the
19 consumer that are separately stated on the
20 invoice, bill of sale or similar document given
21 to the purchaser, and

22 (4) photography services priced as a sitting fee,
23 when such fee is charged by a photographer who
24 submits prints to a hosting company to be

1 displayed online where such prints can be viewed
2 and ordered directly from the hosting company.

3 c. Such term shall include consideration received by the
4 seller from third parties if:

5 (1) the seller actually receives consideration from a
6 party other than the purchaser and the
7 consideration is directly related to a price
8 reduction or discount on the sale,

9 (2) the seller has an obligation to pass the price
10 reduction or discount through to the purchaser,

11 (3) the amount of the consideration attributable to
12 the sale is fixed and determinable by the seller
13 at the time of the sale of the item to the
14 purchaser, and

15 (4) one of the following criteria is met:

16 (a) the purchaser presents a coupon, certificate
17 or other documentation to the seller to
18 claim a price reduction or discount where
19 the coupon, certificate or documentation is
20 authorized, distributed or granted by a
21 third party with the understanding that the
22 third party will reimburse any seller to
23 whom the coupon, certificate or
24 documentation is presented,

1 (b) the purchaser identifies himself or herself
2 to the seller as a member of a group or
3 organization entitled to a price reduction
4 or discount; provided, a "preferred
5 customer" card that is available to any
6 patron does not constitute membership in
7 such a group, or

8 (c) the price reduction or discount is
9 identified as a third-party price reduction
10 or discount on the invoice received by the
11 purchaser or on a coupon, certificate or
12 other documentation presented by the
13 purchaser;

14 13. "Maintaining a place of business in this state" means and
15 includes having or maintaining in this state, directly or by
16 subsidiary, an office, distribution house, sales house, warehouse,
17 or other physical place of business, or having agents operating in
18 this state, whether the place of business or agent is within this
19 state temporarily or permanently or whether the person or subsidiary
20 is authorized to do business within this state;

21 14. "Manufacturing" means and includes the activity of
22 converting or conditioning tangible personal property by changing
23 the form, composition, or quality of character of some existing
24 material or materials, including natural resources, by procedures

1 commonly regarded by the average person as manufacturing,
2 compounding, processing or assembling, into a material or materials
3 with a different form or use. "Manufacturing" does not include
4 extractive industrial activities such as mining, quarrying, logging,
5 and drilling for oil, gas and water, nor oil and gas field
6 processes, such as natural pressure reduction, mechanical
7 separation, heating, cooling, dehydration and compression;

8 15. "Manufacturing operation" means the designing,
9 manufacturing, compounding, processing, assembling, warehousing, or
10 preparing of articles for sale as tangible personal property. A
11 manufacturing operation begins at the point where the materials
12 enter the manufacturing site and ends at the point where a finished
13 product leaves the manufacturing site. "Manufacturing operation"
14 does not include administration, sales, distribution,
15 transportation, site construction, or site maintenance. Extractive
16 activities and field processes shall not be deemed to be a part of a
17 manufacturing operation even when performed by a person otherwise
18 engaged in manufacturing;

19 16. "Manufacturing site" means a location where a manufacturing
20 operation is conducted, including a location consisting of one or
21 more buildings or structures in an area owned, leased, or controlled
22 by a manufacturer;

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1 17. "Over-the-counter drug" means a drug that contains a label
2 that identifies the product as a drug as required by 21 C.F.R.,
3 Section 201.66. The over-the-counter-drug label includes:

- 4 a. a "Drug Facts" panel, or
- 5 b. a statement of the "active ingredient(s)" with a list
6 of those ingredients contained in the compound,
7 substance or preparation;

8 18. "Person" means any individual, company, partnership, joint
9 venture, joint agreement, association, mutual or otherwise, limited
10 liability company, corporation, estate, trust, business trust,
11 receiver or trustee appointed by any state or federal court or
12 otherwise, syndicate, this state, any county, city, municipality,
13 school district, any other political subdivision of the state, or
14 any group or combination acting as a unit, in the plural or singular
15 number;

16 19. "Prescription" means an order, formula or recipe issued in
17 any form of oral, written, electronic, or other means of
18 transmission by a duly licensed "practitioner" as defined in Section
19 1357.6 of this title;

20 20. "Prewritten computer software" means "computer software",
21 including prewritten upgrades, which is not designed and developed
22 by the author or other creator to the specifications of a specific
23 purchaser. The combining of two or more prewritten computer
24 software programs or prewritten portions thereof does not cause the

1 combination to be other than prewritten computer software.
2 Prewritten software includes software designed and developed by the
3 author or other creator to the specifications of a specific
4 purchaser when it is sold to a person other than the purchaser.
5 Where a person modifies or enhances computer software of which the
6 person is not the author or creator, the person shall be deemed to
7 be the author or creator only of such person's modifications or
8 enhancements. Prewritten software or a prewritten portion thereof
9 that is modified or enhanced to any degree, where such modification
10 or enhancement is designed and developed to the specifications of a
11 specific purchaser, remains prewritten software; provided, however,
12 that where there is a reasonable, separately stated charge or an
13 invoice or other statement of the price given to the purchaser for
14 such modification or enhancement, such modification or enhancement
15 shall not constitute prewritten computer software;

16 21. "Repairman" means any person who performs any repair
17 service upon tangible personal property of the consumer, whether or
18 not the repairman, as a necessary and incidental part of performing
19 the service, incorporates tangible personal property belonging to or
20 purchased by the repairman into the tangible personal property being
21 repaired;

22 22. "Sale" means the transfer of either title or possession of
23 tangible personal property for a valuable consideration regardless
24 of the manner, method, instrumentality, or device by which the

1 transfer is accomplished in this state, or other transactions as
2 provided by this paragraph, including but not limited to:

- 3 a. the exchange, barter, lease, or rental of tangible
4 personal property resulting in the transfer of the
5 title to or possession of the property,
- 6 b. the disposition for consumption or use in any business
7 or by any person of all goods, wares, merchandise, or
8 property which has been purchased for resale,
9 manufacturing, or further processing,
- 10 c. the sale, gift, exchange, or other disposition of
11 admission, dues, or fees to clubs, places of
12 amusement, or recreational or athletic events or for
13 the privilege of having access to or the use of
14 amusement, recreational, athletic or entertainment
15 facilities,
- 16 d. the furnishing or rendering of services taxable under
17 the Oklahoma Sales Tax Code, and
- 18 e. any use of motor fuel or diesel fuel by a supplier, as
19 defined in Section 500.3 of this title, upon which
20 sales tax has not previously been paid, for purposes
21 other than to propel motor vehicles over the public
22 highways of this state. Motor fuel or diesel fuel
23 purchased outside the state and used for purposes
24 other than to propel motor vehicles over the public

1 highways of this state shall not constitute a sale
2 within the meaning of this paragraph;

3 23. "Sale for resale" means:

- 4 a. a sale of tangible personal property to any purchaser
5 who is purchasing tangible personal property for the
6 purpose of reselling it within the geographical limits
7 of the United States of America or its territories or
8 possessions, in the normal course of business either
9 in the form or condition in which it is purchased or
10 as an attachment to or integral part of other tangible
11 personal property,
- 12 b. a sale of tangible personal property to a purchaser
13 for the sole purpose of the renting or leasing, within
14 the geographical limits of the United States of
15 America or its territories or possessions, of the
16 tangible personal property to another person by the
17 purchaser, but not if incidental to the renting or
18 leasing of real estate,
- 19 c. a sale of tangible goods and products within this
20 state if, simultaneously with the sale, the vendor
21 issues an export bill of lading, or other
22 documentation that the point of delivery of such goods
23 for use and consumption is in a foreign country and
24 not within the territorial confines of the United

1 States. If the vendor is not in the business of
2 shipping the tangible goods and products that are
3 purchased from the vendor, the buyer or purchaser of
4 the tangible goods and products is responsible for
5 providing an export bill of lading or other
6 documentation to the vendor from whom the tangible
7 goods and products were purchased showing that the
8 point of delivery of such goods for use and
9 consumption is a foreign country and not within the
10 territorial confines of the United States, or

11 d. a sales of any carrier access services, right of
12 access services, telecommunications services to be
13 resold, or telecommunications used in the subsequent
14 provision of, use as a component part of, or
15 integrated into, end-to-end telecommunications
16 service;

17 24. "Tangible personal property" means personal property that
18 can be seen, weighed, measured, felt, or touched or that is in any
19 other manner perceptible to the senses. "Tangible personal
20 property" includes electricity, water, gas, steam and prewritten
21 computer software. This definition shall be applicable only for
22 purposes of the Oklahoma Sales Tax Code;

23 25. "Taxpayer" means any person liable to pay a tax imposed by
24 the Oklahoma Sales Tax Code;

1 26. "Tax period" or "taxable period" means the calendar period
2 or the taxpayer's fiscal period for which a taxpayer has obtained a
3 permit from the Tax Commission to use a fiscal period in lieu of a
4 calendar period;

5 27. "Tax remitter" means any person required to collect,
6 report, or remit the tax imposed by the Oklahoma Sales Tax Code. A
7 tax remitter who fails, for any reason, to collect, report, or remit
8 the tax shall be considered a taxpayer for purposes of assessment,
9 collection, and enforcement of the tax imposed by the Oklahoma Sales
10 Tax Code; and

11 28. "Vendor" means:

12 a. any person making sales of tangible personal property
13 or services in this state, the gross receipts or gross
14 proceeds from which are taxed by the Oklahoma Sales
15 Tax Code,

16 b. any person maintaining a place of business in this
17 state and making sales of tangible personal property
18 or services, whether at the place of business or
19 elsewhere, to persons within this state, the gross
20 receipts or gross proceeds from which are taxed by the
21 Oklahoma Sales Tax Code,

22 c. any person who solicits business by employees,
23 independent contractors, agents, or other
24 representatives or by distribution of catalogs or

1 other advertising matter, and thereby makes sales to
2 persons within this state of tangible personal
3 property or services, the gross receipts or gross
4 proceeds from which are taxed by the Oklahoma Sales
5 Tax Code, or

6 d. any person, pursuant to an agreement with the person
7 with an ownership interest in or title to tangible
8 personal property, who has been entrusted with the
9 possession of any such property and has the power to
10 designate who is to obtain title, to physically
11 transfer possession of, or otherwise make sales of the
12 property.

13 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1357, as
14 amended by Section 1, Chapter 233, O.S.L. 2012 (68 O.S. Supp. 2012,
15 Section 1357), is amended to read as follows:

16 Section 1357. Exemptions - General.

17 There are hereby specifically exempted from the tax levied by
18 the Oklahoma Sales Tax Code:

19 1. Transportation of school pupils to and from elementary
20 schools or high schools in motor or other vehicles;

21 2. Transportation of persons where the fare of each person does
22 not exceed One Dollar (\$1.00), or local transportation of persons
23 within the corporate limits of a municipality except by taxicabs;

1 3. Sales for resale to persons engaged in the business of
2 reselling the articles purchased, whether within or without the
3 state, provided that such sales to residents of this state are made
4 to persons to whom sales tax permits have been issued as provided in
5 the Oklahoma Sales Tax Code. This exemption shall not apply to the
6 sales of articles made to persons holding permits when such persons
7 purchase items for their use and which they are not regularly
8 engaged in the business of reselling; neither shall this exemption
9 apply to sales of tangible personal property to peddlers, solicitors
10 and other salespersons who do not have an established place of
11 business and a sales tax permit. The exemption provided by this
12 paragraph shall apply to sales of motor fuel or diesel fuel to a
13 Group Five vendor, but the use of such motor fuel or diesel fuel by
14 the Group Five vendor shall not be exempt from the tax levied by the
15 Oklahoma Sales Tax Code. The purchase of motor fuel or diesel fuel
16 is exempt from sales tax when the motor fuel is for shipment outside
17 this state and consumed by a common carrier by rail in the conduct
18 of its business. The sales tax shall apply to the purchase of motor
19 fuel or diesel fuel in Oklahoma by a common carrier by rail when
20 such motor fuel is purchased for fueling, within this state, of any
21 locomotive or other motorized flanged wheel equipment;

22 4. Sales of advertising space in newspapers and periodicals;

23 5. Sales of programs relating to sporting and entertainment
24 events, and sales of advertising on billboards (including signage,

1 posters, panels, marquees, or on other similar surfaces, whether
2 indoors or outdoors) or in programs relating to sporting and
3 entertainment events, and sales of any advertising, to be displayed
4 at or in connection with a sporting event, via the Internet,
5 electronic display devices, or through public address or broadcast
6 systems. The exemption authorized by this paragraph shall be
7 effective for all sales made on or after January 1, 2001;

8 6. Sales of any advertising, other than the advertising
9 described by paragraph 5 of this section, via the Internet,
10 electronic display devices, or through the electronic media,
11 including radio, public address or broadcast systems, television
12 (whether through closed circuit broadcasting systems or otherwise),
13 and cable and satellite television, and the servicing of any
14 advertising devices;

15 7. Eggs, feed, supplies, machinery and equipment purchased by
16 persons regularly engaged in the business of raising worms, fish,
17 any insect or any other form of terrestrial or aquatic animal life
18 and used for the purpose of raising same for marketing. This
19 exemption shall only be granted and extended to the purchaser when
20 the items are to be used and in fact are used in the raising of
21 animal life as set out above. Each purchaser shall certify, in
22 writing, on the invoice or sales ticket retained by the vendor that
23 the purchaser is regularly engaged in the business of raising such
24 animal life and that the items purchased will be used only in such

1 business. The vendor shall certify to the Oklahoma Tax Commission
2 that the price of the items has been reduced to grant the full
3 benefit of the exemption. Violation hereof by the purchaser or
4 vendor shall be a misdemeanor;

5 8. Sale of natural or artificial gas and electricity, and
6 associated delivery or transmission services, when sold exclusively
7 for residential use. Provided, this exemption shall not apply to
8 any sales tax levied by a city or town, or a county, or any other
9 jurisdiction in this state;

10 9. In addition to the exemptions authorized by Section 1357.6
11 of this title, sales of drugs sold pursuant to a prescription
12 written for the treatment of human beings by a person licensed to
13 prescribe the drugs, and sales of insulin and medical oxygen.
14 Provided, this exemption shall not apply to over-the-counter drugs;

15 10. Transfers of title or possession of empty, partially
16 filled, or filled returnable oil and chemical drums to any person
17 who is not regularly engaged in the business of selling, reselling
18 or otherwise transferring empty, partially filled, or filled
19 returnable oil drums;

20 11. Sales of one-way utensils, paper napkins, paper cups,
21 disposable hot containers and other one-way carry out materials to a
22 vendor of meals or beverages;

23 12. Sales of food or food products for home consumption which
24 are purchased in whole or in part with coupons issued pursuant to

1 the federal food stamp program as authorized by Sections 2011
2 through 2029 of Title 7 of the United States Code, as to that
3 portion purchased with such coupons. The exemption provided for
4 such sales shall be inapplicable to such sales upon the effective
5 date of any federal law that removes the requirement of the
6 exemption as a condition for participation by the state in the
7 federal food stamp program;

8 13. Sales of food or food products, or any equipment or
9 supplies used in the preparation of the food or food products to or
10 by an organization which:

11 a. is exempt from taxation pursuant to the provisions of
12 Section 501(c)(3) of the Internal Revenue Code, 26
13 U.S.C., Section 501(c)(3), and which provides and
14 delivers prepared meals for home consumption to
15 elderly or homebound persons as part of a program
16 commonly known as "Meals on Wheels" or "Mobile Meals",
17 or

18 b. is exempt from taxation pursuant to the provisions of
19 Section 501(c)(3) of the Internal Revenue Code, 26
20 U.S.C., Section 501(c)(3), and which receives federal
21 funding pursuant to the Older Americans Act of 1965,
22 as amended, for the purpose of providing nutrition
23 programs for the care and benefit of elderly persons;

24

1 14. a. Sales of tangible personal property or services to or
2 by organizations which are exempt from taxation
3 pursuant to the provisions of Section 501(c)(3) of the
4 Internal Revenue Code, 26 U.S.C., Section 501(c)(3),
5 and:

6 (1) are primarily involved in the collection and
7 distribution of food and other household products
8 to other organizations that facilitate the
9 distribution of such products to the needy and
10 such distributee organizations are exempt from
11 taxation pursuant to the provisions of Section
12 501(c)(3) of the Internal Revenue Code, 26
13 U.S.C., Section 501(c)(3), or

14 (2) facilitate the distribution of such products to
15 the needy.

16 b. Sales made in the course of business for profit or
17 savings, competing with other persons engaged in the
18 same or similar business shall not be exempt under
19 this paragraph;

20 15. Sales of tangible personal property or services to
21 children's homes which are located on church-owned property and are
22 operated by organizations exempt from taxation pursuant to the
23 provisions of the Internal Revenue Code, 26 U.S.C., Section
24 501(c)(3);

1 16. Sales of computers, data processing equipment, related
2 peripherals and telephone, telegraph or telecommunications service
3 and equipment for use in a qualified aircraft maintenance or
4 manufacturing facility. For purposes of this paragraph, "qualified
5 aircraft maintenance or manufacturing facility" means a new or
6 expanding facility primarily engaged in aircraft repair, building or
7 rebuilding whether or not on a factory basis, whose total cost of
8 construction exceeds the sum of Five Million Dollars (\$5,000,000.00)
9 and which employs at least two hundred fifty (250) new full-time-
10 equivalent employees, as certified by the Oklahoma Employment
11 Security Commission, upon completion of the facility. In order to
12 qualify for the exemption provided for by this paragraph, the cost
13 of the items purchased by the qualified aircraft maintenance or
14 manufacturing facility shall equal or exceed the sum of Two Million
15 Dollars (\$2,000,000.00);

16 17. Sales of tangible personal property consumed or
17 incorporated in the construction or expansion of a qualified
18 aircraft maintenance or manufacturing facility as defined in
19 paragraph 16 of this section. For purposes of this paragraph, sales
20 made to a contractor or subcontractor that has previously entered
21 into a contractual relationship with a qualified aircraft
22 maintenance or manufacturing facility for construction or expansion
23 of such a facility shall be considered sales made to a qualified
24 aircraft maintenance or manufacturing facility;

1 18. Sales of the following telecommunications services:

2 a. Interstate and International "800 service". "800
3 service" means a "telecommunications service" that
4 allows a caller to dial a toll-free number without
5 incurring a charge for the call. The service is
6 typically marketed under the name "800", "855", "866",
7 "877", and "888" toll-free calling, and any subsequent
8 numbers designated by the Federal Communications
9 Commission, or

10 b. Interstate and International "900 service". "900
11 service" means an inbound toll "telecommunications
12 service" purchased by a subscriber that allows the
13 subscriber's customers to call in to the subscriber's
14 prerecorded announcement or live service. "900
15 service" does not include the charge for: collection
16 services provided by the seller of the
17 "telecommunications services" to the subscriber, or
18 service or product sold by the subscriber to the
19 subscriber's customer. The service is typically
20 marketed under the name "900" service, and any
21 subsequent numbers designated by the Federal
22 Communications Commission,

23 c. Interstate and International "private communications
24 service". "Private communications service" means a

1 "telecommunications service" that entitles the
2 customer to exclusive or priority use of a
3 communications channel or group of channels between or
4 among termination points, regardless of the manner in
5 which such channel or channels are connected, and
6 includes switching capacity, extension lines,
7 stations, and any other associated services that are
8 provided in connection with the use of such channel or
9 channels,

10 d. "Value-added nonvoice data service". "Value-added
11 nonvoice data service" means a service that otherwise
12 meets the definition of "telecommunications services"
13 in which computer processing applications are used to
14 act on the form, content, code, or protocol of the
15 information or data primarily for a purpose other than
16 transmission, conveyance or routing,

17 e. Interstate and International telecommunications
18 service which is:

19 (1) rendered by a company for private use within its
20 organization, or

21 (2) used, allocated, or distributed by a company to
22 its affiliated group,

23 f. Regulatory assessments and charges, including charges
24 to fund the Oklahoma Universal Service Fund, the

1 Oklahoma Lifeline Fund and the Oklahoma High Cost
2 Fund, and

3 g. Telecommunications nonrecurring charges, including but
4 not limited to the installation, connection, change or
5 initiation of telecommunications services which are
6 not associated with a retail consumer sale;

7 19. Sales of railroad track spikes manufactured and sold for
8 use in this state in the construction or repair of railroad tracks,
9 switches, sidings and turnouts;

10 20. Sales of aircraft and aircraft parts provided such sales
11 occur at a qualified aircraft maintenance facility. As used in this
12 paragraph, "qualified aircraft maintenance facility" means a
13 facility operated by an air common carrier at which there were
14 employed at least two thousand (2,000) full-time-equivalent
15 employees in the preceding year as certified by the Oklahoma
16 Employment Security Commission and which is primarily related to the
17 fabrication, repair, alteration, modification, refurbishing,
18 maintenance, building or rebuilding of commercial aircraft or
19 aircraft parts used in air common carriage. For purposes of this
20 paragraph, "air common carrier" shall also include members of an
21 affiliated group as defined by Section 1504 of the Internal Revenue
22 Code, 26 U.S.C., Section 1504;

1 21. Sales of machinery and equipment purchased and used by
2 persons and establishments primarily engaged in computer services
3 and data processing:

4 a. as defined under Industrial Group Numbers 7372 and
5 7373 of the Standard Industrial Classification (SIC)
6 Manual, latest version, which derive at least fifty
7 percent (50%) of their annual gross revenues from the
8 sale of a product or service to an out-of-state buyer
9 or consumer, and

10 b. as defined under Industrial Group Number 7374 of the
11 SIC Manual, latest version, which derive at least
12 eighty percent (80%) of their annual gross revenues
13 from the sale of a product or service to an out-of-
14 state buyer or consumer.

15 Eligibility for the exemption set out in this paragraph shall be
16 established, subject to review by the Tax Commission, by annually
17 filing an affidavit with the Tax Commission stating that the
18 facility so qualifies and such information as required by the Tax
19 Commission. For purposes of determining whether annual gross
20 revenues are derived from sales to out-of-state buyers or consumers,
21 all sales to the federal government shall be considered to be to an
22 out-of-state buyer or consumer;

23 22. Sales of prosthetic devices to an individual for use by
24 such individual. For purposes of this paragraph, "prosthetic

1 device" shall have the same meaning as provided in Section 1357.6 of
2 this title, but shall not include corrective eye glasses, contact
3 lenses or hearing aids;

4 23. Sales of tangible personal property or services to a motion
5 picture or television production company to be used or consumed in
6 connection with an eligible production. For purposes of this
7 paragraph, "eligible production" means a documentary, special, music
8 video, or a television commercial or television program that will
9 serve as a pilot for or be a segment of an ongoing dramatic or
10 situation comedy series filmed or taped for network or national or
11 regional syndication or a feature-length motion picture intended for
12 theatrical release or for network or national or regional
13 syndication or broadcast. The provisions of this paragraph shall
14 apply to sales occurring on or after July 1, 1996. In order to
15 qualify for the exemption, the motion picture or television
16 production company shall file any documentation and information
17 required to be submitted pursuant to rules promulgated by the Tax
18 Commission;

19 24. Sales of diesel fuel sold for consumption by commercial
20 vessels, barges and other commercial watercraft;

21 25. Sales of tangible personal property or services to tax-
22 exempt independent nonprofit biomedical research foundations that
23 provide educational programs for Oklahoma science students and
24

1 teachers and to tax-exempt independent nonprofit community blood
2 banks headquartered in this state;

3 26. Effective May 6, 1992, sales of wireless telecommunications
4 equipment to a vendor who subsequently transfers the equipment at no
5 charge or for a discounted charge to a consumer as part of a
6 promotional package or as an inducement to commence or continue a
7 contract for wireless telecommunications services;

8 27. Effective January 1, 1991, leases of rail transportation
9 cars to haul coal to coal-fired plants located in this state which
10 generate electric power;

11 28. Beginning July 1, 2005, sales of aircraft engine repairs,
12 modification, and replacement parts, sales of aircraft frame repairs
13 and modification, aircraft interior modification, and paint, and
14 sales of services employed in the repair, modification and
15 replacement of parts of aircraft engines, aircraft frame and
16 interior repair and modification, and paint;

17 29. Sales of materials and supplies to the owner or operator of
18 a ship, motor vessel or barge that is used in interstate or
19 international commerce if the materials and supplies:

- 20 a. are loaded on the ship, motor vessel or barge and used
21 in the maintenance and operation of the ship, motor
22 vessel or barge, or
23 b. enter into and become component parts of the ship,
24 motor vessel or barge;

1 30. Sales of tangible personal property made at estate sales at
2 which such property is offered for sale on the premises of the
3 former residence of the decedent by a person who is not required to
4 be licensed pursuant to the Transient Merchant Licensing Act, or who
5 is not otherwise required to obtain a sales tax permit for the sale
6 of such property pursuant to the provisions of Section 1364 of this
7 title; provided:

- 8 a. such sale or event may not be held for a period
9 exceeding three (3) consecutive days,
- 10 b. the sale must be conducted within six (6) months of
11 the date of death of the decedent, and
- 12 c. the exemption allowed by this paragraph shall not be
13 allowed for property that was not part of the
14 decedent's estate;

15 31. Beginning January 1, 2004, sales of electricity and
16 associated delivery and transmission services, when sold exclusively
17 for use by an oil and gas operator for reservoir dewatering projects
18 and associated operations commencing on or after July 1, 2003, in
19 which the initial water-to-oil ratio is greater than or equal to
20 five-to-one water-to-oil, and such oil and gas development projects
21 have been classified by the Corporation Commission as a reservoir
22 dewatering unit;

23 32. Sales of prewritten computer software that is delivered
24 electronically. For purposes of this paragraph, "delivered

1 electronically" means delivered to the purchaser by means other than
2 tangible storage media;

3 33. Sales of modular dwelling units when built at a production
4 facility and moved in whole or in parts, to be assembled on-site,
5 and permanently affixed to the real property and used for
6 residential or commercial purposes. The exemption provided by this
7 paragraph shall equal forty-five percent (45%) of the total sales
8 price of the modular dwelling unit. For purposes of this paragraph,
9 "modular dwelling unit" means a structure that is not subject to the
10 motor vehicle excise tax imposed pursuant to Section 2103 of this
11 title;

12 34. Sales of tangible personal property or services to persons
13 who are residents of Oklahoma and have been honorably discharged
14 from active service in any branch of the Armed Forces of the United
15 States or Oklahoma National Guard and who have been certified by the
16 United States Department of Veterans Affairs or its successor to be
17 in receipt of disability compensation at the one-hundred-percent
18 rate and the disability shall be permanent and have been sustained
19 through military action or accident or resulting from disease
20 contracted while in such active service or the surviving spouse of
21 such person if the person is deceased and the spouse has not
22 remarried; provided, sales for the benefit of the person to a spouse
23 of the eligible person or to a member of the household in which the
24 eligible person resides and who is authorized to make purchases on

1 the person's behalf, when such eligible person is not present at the
2 sale, shall also be exempt for purposes of this paragraph. Sales
3 qualifying for the exemption authorized by this paragraph shall not
4 exceed Twenty-five Thousand Dollars (\$25,000.00) per year per
5 individual while the disabled veteran is living. Sales qualifying
6 for the exemption authorized by this paragraph shall not exceed One
7 Thousand Dollars (\$1,000.00) per year for an unremarried surviving
8 spouse. Upon request of the Tax Commission, a person asserting or
9 claiming the exemption authorized by this paragraph shall provide a
10 statement, executed under oath, that the total sales amounts for
11 which the exemption is applicable have not exceeded Twenty-five
12 Thousand Dollars (\$25,000.00) per year per living disabled veteran
13 or One Thousand Dollars (\$1,000.00) per year for an unremarried
14 surviving spouse. If the amount of such exempt sales exceeds such
15 amount, the sales tax in excess of the authorized amount shall be
16 treated as a direct sales tax liability and may be recovered by the
17 Tax Commission in the same manner provided by law for other taxes,
18 including penalty and interest;

19 35. Sales of electricity to the operator, specifically
20 designated by the Corporation Commission, of a spacing unit or lease
21 from which oil is produced or attempted to be produced using
22 enhanced recovery methods, including, but not limited to, increased
23 pressure in a producing formation through the use of water or
24 saltwater if the electrical usage is associated with and necessary

1 for the operation of equipment required to inject or circulate
2 fluids in a producing formation for the purpose of forcing oil or
3 petroleum into a wellbore for eventual recovery and production from
4 the wellhead. In order to be eligible for the sales tax exemption
5 authorized by this paragraph, the total content of oil recovered
6 after the use of enhanced recovery methods shall not exceed one
7 percent (1%) by volume. The exemption authorized by this paragraph
8 shall be applicable only to the state sales tax rate and shall not
9 be applicable to any county or municipal sales tax rate;

10 36. Sales of intrastate charter and tour bus transportation.
11 As used in this paragraph, "intrastate charter and tour bus
12 transportation" means the transportation of persons from one
13 location in this state to another location in this state in a motor
14 vehicle which has been constructed in such a manner that it may
15 lawfully carry more than eighteen persons, and which is ordinarily
16 used or rented to carry persons for compensation. Provided, this
17 exemption shall not apply to regularly scheduled bus transportation
18 for the general public;

19 37. Sales of vitamins, minerals and dietary supplements by a
20 licensed chiropractor to a person who is the patient of such
21 chiropractor at the physical location where the chiropractor
22 provides chiropractic care or services to such patient. The
23 provisions of this paragraph shall not be applicable to any drug,
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1 medicine or substance for which a prescription by a licensed
2 physician is required;

3 38. Sales of goods, wares, merchandise, tangible personal
4 property, machinery and equipment to a web search portal located in
5 this state which derives at least eighty percent (80%) of its annual
6 gross revenue from the sale of a product or service to an out-of-
7 state buyer or consumer. For purposes of this paragraph, "web
8 search portal" means an establishment classified under NAICS code
9 519130 which operates web sites that use a search engine to generate
10 and maintain extensive databases of Internet addresses and content
11 in an easily searchable format;

12 39. Sales of tangible personal property consumed or
13 incorporated in the construction or expansion of a facility for a
14 corporation organized under Section 437 et seq. of Title 18 of the
15 Oklahoma Statutes as a rural electric cooperative. For purposes of
16 this paragraph, sales made to a contractor or subcontractor that has
17 previously entered into a contractual relationship with a rural
18 electric cooperative for construction or expansion of a facility
19 shall be considered sales made to a rural electric cooperative;

20 40. Sales of tangible personal property or services to a
21 business primarily engaged in the repair of consumer electronic
22 goods, including, but not limited to, cell phones, compact disc
23 players, personal computers, MP3 players, digital devices for the
24 storage and retrieval of information through hard-wired or wireless

1 computer or Internet connections, if the devices are sold to the
2 business by the original manufacturer of such devices and the
3 devices are repaired, refitted or refurbished for sale by the entity
4 qualifying for the exemption authorized by this paragraph directly
5 to retail consumers or if the devices are sold to another business
6 entity for sale to retail consumers;

7 41. Before July 1, 2014, sales of rolling stock when sold or
8 leased by the manufacturer, regardless of whether the purchaser is a
9 public services corporation engaged in business as a common carrier
10 of property or passengers by railway, for use or consumption by a
11 common carrier directly in the rendition of public service. For
12 purposes of this paragraph, "rolling stock" means locomotives,
13 autocars and railroad cars; ~~and~~

14 42. Sales of gold, silver, platinum, palladium or other bullion
15 items such as coins and bars and legal tender of any nation, which
16 legal tender is sold according to its value as precious metal or as
17 an investment. To qualify for the exemption, the gold, silver,
18 platinum, palladium or other bullion items must be stored within a
19 recognized depository facility. As used in the paragraph, "bullion"
20 means any precious metal, including, but not limited to, gold,
21 silver, platinum and palladium, that is in such a state or condition
22 that its value depends upon its precious metal content and not its
23 form. As used in this paragraph, "depository facility" means an
24 institution that accepts delivery of precious metals on behalf of

1 the purchaser and provides storage of such precious metals, but
2 shall not include financial institutions as defined in subsection E
3 of Section 71 of Title 62 of the Oklahoma Statutes. The exemption
4 authorized by this paragraph shall not apply to fabricated metals
5 that have been processed or manufactured for artistic use or as
6 jewelry; and

7 43. Sales of photography services priced as a sitting fee, when
8 such fee is charged by a photographer who submits prints to a
9 hosting company to be displayed online where such prints can be
10 viewed and ordered directly from the hosting company.

11 SECTION 3. This act shall become effective November 1, 2013.

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