OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
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[redacted]

LR-19-001

This is in response to your request for information regarding certain transactions which are stated below along with the facts presented and the questions posed.

Facts

[redacted] is the owner of [redacted]. [redacted] as a dealer in Oklahoma represents [redacted] a garbage truck body manufacturer located in Michigan. [redacted] is licensed with Oklahoma as a new motor vehicle dealer for [redacted] You indicate that this licensing would be the same as a [redacted] dealer such as [redacted] sells garbage trucks as a complete unit (body and chassis) or just body alone.

[redacted] customer is a private company located here in Oklahoma. Our customer is purchasing a new garbage truck. They are going to purchase a chassis separate from the body. [redacted] will not be participating in their chassis purchase. They will then send their chassis to the body manufacturer in Michigan to have the new body installed on the chassis. When the installation is complete [redacted] will ship the unit to our customer and invoice them for the body.

Questions:

1. How do I collect taxes if they purchase a used chassis or use an existing used chassis?
2. How do I collect taxes if they purchase a new chassis?

Response:

New vehicles equipped with certain types of special equipment, such as a conversion package, which have been installed by a secondary manufacturer, should have two manufacturers' statements of origin (MSOs). Excise tax[1] and motor vehicle sales tax[2] will be collected on the cost of the conversion or special equipment added by the secondary manufacturer plus the cost of the base vehicle. Both will be due at the time of titling and registration of the completed garbage truck in Oklahoma with the Oklahoma Tax Commission or a Motor License Agent

Used vehicles will be taxed the same, the cost of the conversion package plus the cost of the base vehicle will be subject to excise tax[3] and motor vehicle sales tax.

The date the conversion is completed is usually considered the date of sale from when taxes are collected.

Question 1.a:

1.a - What paperwork should I have them sign to assure they are truly mounting it on a used chassis?

Response to Question 1.a

There will be an assigned title for the used chassis to transfer ownership, a contract or bill of sale to indicate the purchase price, and show it was a chassis only and not a complete vehicle. Also, have the purchaser complete OTC Form 701-6, the application for Oklahoma title, for issuance of an original title.

Question 2.a

2.a - What paperwork should I have them sign to assure they are truly mounting it on a new chassis?

Response to Question 2.a

There will be a MSO for a new vehicle chassis (it probably will say incomplete chassis on the MSO) then the contract or bill of sale to indicate the purchase price, and it will state it's a new chassis only not a complete vehicle. Also complete OTC Form 701-6, the application for Oklahoma title, for issuance of an original title.

Question 3.a

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[1] Excise tax on a new vehicle is 3.25% of the purchase price (or taxable value) and is assessed on the actual purchase price of a vehicle provided that price is within 20% of the actual retail value of that model.

[2] Motor vehicle sales tax will be assessed at a rate of 1.25% of the purchase price, excluding any credit for a trade in vehicle.

[3] Excise tax on a used vehicle is $20.00 on the first $1500.00 of the purchase price in addition to 3.25% of the remainder.

If I charge sales tax on the body:

3.a - If the tag agent wants to include the body in the purchase price during the tagging process. How can they be protected from having to pay "double taxes" when tagging the vehicle (1.25% sales tax and state excise tax)?

Response to Question 3.a

Under the facts presented, Frontier should not collect sales tax on the amount charged for the conversion package. As discussed above, excise tax and motor vehicle sales tax will be collected on the cost of the conversion or special equipment added by the secondary manufacturer plus the cost of the base vehicle. Both will be due at the time of titling and registration of the completed garbage truck in Oklahoma with the Oklahoma Tax Commission or a Motor License Agent

One last scenario [redacted] may face is:

We have an Oklahoma new dealers license to sell the chassis and body together. We invoice the customer using one part number for all components including the chassis and body. If we sell a complete unit including the body and chassis to a taxable end user, we should not collect any taxes at all, correct? I believe the tag agent requires our invoice to be provided to prove actual purchase price used for the end user to pay the 1.25% sales tax and Ok excise tax at the tag agency.

Response to last scenario:

The statement made above regarding your last scenario is correct.

This response applies only to the circumstances discussed in your written request of December 10, 2018. 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,

Marc Morrison

Oklahoma Tax Commission
Marc Morrison
Tax Policy & Research Division