



[REDACTED]

Re: Request for Letter Ruling; File No. LR-25-005

Dear [REDACTED],

This letter is in response to your letter to the Oklahoma Tax Commission dated [REDACTED], in which you requested a letter ruling on behalf of [REDACTED] regarding inventory stored at a third-party marketplace facilitator's warehouse.

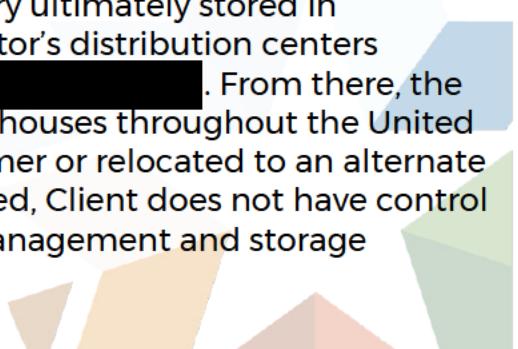
FACTS

The facts presented in your letter are as follows:

Client is a commercially domiciled [REDACTED] Limited Liability Company, which sells [REDACTED]. It specializes in [REDACTED] products, including [REDACTED]. Its operations include online retail sales through its own website and third-party marketplaces, with a focus on direct-to-consumer distribution.

Client does not have a physical location in Oklahoma, nor does Client have any employees located in Oklahoma. Client's sales through its own website to consumers in Oklahoma are below the \$100,000 annual threshold for economic nexus. Client's sales through marketplace facilitator's sites are subject to sales tax and the marketplace facilitator collects and remits the sales tax on behalf of Client.

Client does own inventory stored in Oklahoma by third-party marketplaces, which Client does not control or manage. The inventory value for the year(s) ending 2023 and 2024 were \$15,000 and \$40,000, respectively. The inventory ultimately stored in Oklahoma is first shipped to one of its marketplace facilitator's distribution centers located in one of four states, [REDACTED]. From there, the marketplace facilitator distributes Client's product to warehouses throughout the United States, where it is stored until shipment to the final consumer or relocated to an alternate warehouse. While the inventory is in transit and being stored, Client does not have control over where its inventory is located or will be stored. The management and storage



locations are determined by the marketplace facilitator based upon its own logistical analytics. The inventory stored at the marketplace facilitator's warehouse can only be used to fulfill orders placed through the marketplace facilitator's site.

QUESTION

Does the storage of Client's inventory at a marketplace facilitator's warehouse located in Oklahoma create substantial nexus and a sales tax filing obligation for our Client?

RULING

Sales tax nexus refers to the connection a business has with a state that creates an obligation to collect and remit sales tax. Nexus can be established through either economic or physical presence in Oklahoma.

Under 68 O.S. Section 1392(G), economic nexus is established when a remote seller has aggregate sales of products within Oklahoma or delivered to locations within Oklahoma subject to sales tax or use tax worth at least One Hundred Thousand Dollars (\$100,000.00) during the preceding or current calendar year. When this threshold is met, the seller must collect and remit sales tax.

Physical presence in Oklahoma also triggers sales and use tax obligations. Businesses are required to register with the Oklahoma Tax Commission and charge, collect, and remit the appropriate tax when they have a physical presence in Oklahoma, such as a retail store, warehouse, or inventory. However, Oklahoma law provides an exception: if the seller's only physical presence in the state is inventory owned by that seller stored in a third party's warehouse over which the seller has no control, the seller does not have physical nexus in Oklahoma.

Based on the facts presented in your request, Client does not have economic nexus in Oklahoma because Client's direct sales through its own website are below the One Hundred Thousand Dollar (\$100,000.00) threshold. Additionally, Client does not have physical nexus in Oklahoma because Client's only physical presence in the state is inventory stored in third-party marketplace facilitator warehouses over which Client has no control or management authority. Therefore, Client is not required to collect and remit Oklahoma sales or use tax on sales made through Client's own website. Sales made through marketplace facilitator platforms remain the responsibility of those facilitators for sales tax collection and remittance purposes.

Client should monitor its total taxable sales and deliveries into Oklahoma on an ongoing basis. If taxable sales and deliveries into Oklahoma from all sources combined exceed the One Hundred Thousand Dollar (\$100,000.00) threshold, Client will be required to collect and remit sales or use tax to Oklahoma. For purposes of calculating whether this

threshold has been reached, Client should note the following: if a marketplace facilitator is collecting Oklahoma tax on Client's behalf, those marketplace facilitator sales are not included in Client's threshold calculation. However, if a marketplace facilitator is not collecting Oklahoma tax on Client's behalf, those marketplace facilitator sales are included in Client's threshold calculation, and Client must collect Oklahoma sales or use tax on its taxable sales made through that marketplace.

This letter ruling applies only to the circumstances set forth in your letter dated [REDACTED], and may generally be relied upon only by the taxpayer to whom it is issued, [REDACTED], provided that all facts have been accurately and completely stated, and that there has been no change in applicable law. See OAC § 710:1-3-73(e). Please be advised that this letter ruling does not preclude the OTC from conducting an audit or examination under 68 O.S. § 206. The OTC reserves the right to issue any assessment, correction or adjustment authorized under 68 O.S. § 221.

Sincerely,

Oklahoma Tax Commission
Tax Policy & Research Division
Lisa Haws
Marc Morrison