

1 (3RD EXTRAORDINARY SESSION)  
2 ENGROSSED HOUSE  
3 BILL NO. 1014

By: McCall, Roberts (Sean), and  
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4  
5  
6 An Act relating to revenue and taxation; amending 68  
7 O.S. 2021, Section 1352, which relates to  
8 definitions; defining terms; exempting from sales tax  
9 the sale of food and food ingredients; providing for  
10 effect of exemption on sales or excise tax levied by  
11 local taxing jurisdictions; authorizing Oklahoma Tax  
12 Commission to promulgate rules; providing for  
13 codification; providing an effective date; and  
14 declaring an emergency.

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

16 SECTION 1. AMENDATORY 68 O.S. 2021, Section 1352, is  
17 amended to read as follows:

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

19 1. "Alcoholic beverages" means beverages that are suitable for  
20 human consumption and contain one-half of one percent (0.5%) or more  
21 of alcohol by volume;

22 2. "Bundled transaction" means the retail sale of two or more  
23 products, except real property and services to real property, where  
24 the products are otherwise distinct and identifiable, and the  
products are sold for one nonitemized price. A "bundled  
transaction" does not include the sale of any products in which the

1 sales price varies, or is negotiable, based on the selection by the  
2 purchaser of the products included in the transaction. As used in  
3 this paragraph:

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

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

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

19 (3) items included in the definition of gross  
20 receipts or sales price, pursuant to this  
21 section,

22 b. "one nonitemized price" does not include a price that  
23 is separately identified by product on binding sales  
24 or other supporting sales-related documentation made

1 available to the customer in paper or electronic form  
2 including, but not limited to, an invoice, bill of  
3 sale, receipt, contract, service agreement, lease  
4 agreement, periodic notice of rates and services, rate  
5 card, or price list,

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

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

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

20 (3) a transaction that includes taxable products and  
21 nontaxable products and the purchase price or  
22 sales price of the taxable products is de  
23 minimis. For purposes of this ~~subdivision~~  
24 division, "de minimis" means the seller's

1 purchase price or sales price of taxable products  
2 is ten percent (10%) or less of the total  
3 purchase price or sales price of the bundled  
4 products. Sellers shall use either the purchase  
5 price or the sales price of the products to  
6 determine if the taxable products are de minimis.  
7 Sellers may not use a combination of the purchase  
8 price and sales price of the products to  
9 determine if the taxable products are de minimis.  
10 Sellers shall use the full term of a service  
11 contract to determine if the taxable products are  
12 de minimis, or

13 (4) the retail sale of exempt tangible personal  
14 property and taxable tangible personal property  
15 where:

16 (a) the transaction includes food and food  
17 ingredients, drugs, durable medical  
18 equipment, mobility enhancing equipment,  
19 over-the-counter drugs, prosthetic devices  
20 or medical supplies, and

21 (b) the seller's purchase price or sales price  
22 of the taxable tangible personal property is  
23 fifty percent (50%) or less of the total  
24 purchase price or sales price of the bundled

1                   tangible personal property. Sellers may not  
2                   use a combination of the purchase price and  
3                   sales price of the tangible personal  
4                   property when making the fifty percent (50%)  
5                   determination for a transaction;

6       ~~2.~~ 3. "Business" means any activity engaged in or caused to be  
7 engaged in by any person with the object of gain, benefit, or  
8 advantage, either direct or indirect;

9       ~~3.~~ 4. "Candy" means a preparation of sugar, honey, or other  
10 natural or artificial sweeteners in combination with chocolate,  
11 fruits, nuts, or other ingredients or flavorings in the form of  
12 bars, drops, or pieces. Candy shall not include any preparation  
13 containing flour or requiring refrigeration;

14       5. "Commission" or "Tax Commission" means the Oklahoma Tax  
15 Commission;

16       ~~4.~~ 6. "Computer" means an electronic device that accepts  
17 information in digital or similar form and manipulates it for a  
18 result based on a sequence of instructions;

19       ~~5.~~ 7. "Computer software" means a set of coded instructions  
20 designed to cause a "computer" or automatic data processing  
21 equipment to perform a task;

22       ~~6.~~ 8. "Consumer" or "user" means a person to whom a taxable  
23 sale of tangible personal property is made or to whom a taxable  
24 service is furnished. "Consumer" or "user" includes all contractors

1 to whom a taxable sale of materials, supplies, equipment, or other  
2 tangible personal property is made or to whom a taxable service is  
3 furnished to be used or consumed in the performance of any contract;

4 ~~7.~~ 9. "Contractor" means any person who performs any  
5 improvement upon real property and who, as a necessary and  
6 incidental part of performing such improvement, incorporates  
7 tangible personal property belonging to or purchased by the person  
8 into the real property being improved;

9 ~~8.~~ 10. "Dietary supplements" means any product, other than  
10 tobacco, intended to supplement the diet that:

11 a. contains one or more of the following dietary  
12 ingredients:

13 (1) a vitamin,

14 (2) a mineral,

15 (3) an herb or other botanical,

16 (4) an amino acid,

17 (5) a dietary substance to supplement the diet by

18 increasing the total dietary intake, or

19 (6) a concentrate, metabolite, constituent, extract,

20 or combination of any ingredient described in

21 divisions (1) through (5) of this subparagraph,

22 b. is intended for ingestion in tablet, capsule, powder,

23 softgel, gelcap, or liquid form, or, if not intended

24 for ingestion in such form, is not represented as

1 conventional food and is not represented for use as a  
2 sole item of a meal or of the diet, and  
3 c. is required to be labeled as a dietary supplement,  
4 identifiable by the label and as required pursuant to  
5 Section 101.36 of Title 21 of the Code of Federal  
6 Regulations;

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

- 9 a. recognized in the official United States  
10 Pharmacopoeia, official Homeopathic Pharmacopoeia of  
11 the United States, or official National Formulary, and  
12 supplement to any of them,  
13 b. intended for use in the diagnosis, cure, mitigation,  
14 treatment, or prevention of disease, or  
15 c. intended to affect the structure or any function of  
16 the body;

17 ~~9.~~ 12. "Electronic" means relating to technology having  
18 electrical, digital, magnetic, wireless, optical, electromagnetic,  
19 or similar capabilities;

20 ~~10.~~ 13. "Established place of business" means the location at  
21 which any person regularly engages in, conducts, or operates a  
22 business in a continuous manner for any length of time, that is open  
23 to the public during the hours customary to such business, in which  
24 a stock of merchandise for resale is maintained, and which is not

1 exempted by law from attachment, execution, or other species of  
2 forced sale barring any satisfaction of any delinquent tax liability  
3 accrued under the Oklahoma Sales Tax Code;

4 ~~11.~~ 14. "Fair authority" means:

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

15 ~~12.~~ 15. "Food and food ingredients" means substances, whether  
16 in liquid, concentrated, solid, frozen, dried, or dehydrated form,  
17 that are sold for ingestion or chewing by humans and are consumed  
18 for their taste or nutritional value. Food and food ingredients  
19 shall include bottled water, candy, and soft drinks. Food and food  
20 ingredients shall not include:

- 21 a. alcoholic beverages,
- 22 b. dietary supplements,
- 23 c. marijuana, usable marijuana, or marijuana-infused  
24 products,



1           d. prepared food, or

2           e. tobacco;

3       16. a. "Gross receipts", "gross proceeds" or "sales price"

4           means the total amount of consideration, including

5           cash, credit, property and services, for which

6           personal property or services are sold, leased or

7           rented, valued in money, whether received in money or

8           otherwise, without any deduction for the following:

9           (1) the seller's cost of the property sold,

10          (2) the cost of materials used, labor or service

11                 cost,

12          (3) interest, losses, all costs of transportation to

13                 the seller, all taxes imposed on the seller, and

14                 any other expense of the seller,

15          (4) charges by the seller for any services necessary

16                 to complete the sale, other than delivery and

17                 installation charges,

18          (5) delivery charges and installation charges, unless

19                 separately stated on the invoice, billing or

20                 similar document given to the purchaser, and

21          (6) credit for any trade-in.

22       b. Such term shall not include:

23           (1) discounts, including cash, term, or coupons that

24                 are not reimbursed by a third party that are

1                   allowed by a seller and taken by a purchaser on a  
2                   sale,

3                   (2) interest, financing, and carrying charges from  
4                   credit extended on the sale of personal property  
5                   or services, if the amount is separately stated  
6                   on the invoice, bill of sale or similar document  
7                   given to the purchaser, and

8                   (3) any taxes legally imposed directly on the  
9                   consumer that are separately stated on the  
10                  invoice, bill of sale or similar document given  
11                  to the purchaser.

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

14                  (1) the seller actually receives consideration from a  
15                  party other than the purchaser and the  
16                  consideration is directly related to a price  
17                  reduction or discount on the sale,

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

20                  (3) the amount of the consideration attributable to  
21                  the sale is fixed and determinable by the seller  
22                  at the time of the sale of the item to the  
23                  purchaser, and

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

1 (a) the purchaser presents a coupon, certificate  
2 or other documentation to the seller to  
3 claim a price reduction or discount where  
4 the coupon, certificate or documentation is  
5 authorized, distributed or granted by a  
6 third party with the understanding that the  
7 third party will reimburse any seller to  
8 whom the coupon, certificate or  
9 documentation is presented,

10 (b) the purchaser identifies himself or herself  
11 to the seller as a member of a group or  
12 organization entitled to a price reduction  
13 or discount; provided, a "preferred  
14 customer" card that is available to any  
15 patron does not constitute membership in  
16 such a group, or

17 (c) the price reduction or discount is  
18 identified as a third-party price reduction  
19 or discount on the invoice received by the  
20 purchaser or on a coupon, certificate or  
21 other documentation presented by the  
22 purchaser;



1 or substantially similar to those used  
2 by the vendor,

3 (c) delivers, installs, assembles or  
4 performs maintenance services for the  
5 vendor,

6 (d) facilitates the vendor's delivery of  
7 property to customers in the state by  
8 allowing the vendor's customers to pick  
9 up property sold by the vendor at an  
10 office, distribution facility,  
11 warehouse, storage place or similar  
12 place of business maintained by the  
13 person in this state, or

14 (e) conducts any other activities in this state  
15 that are significantly associated with the  
16 vendor's ability to establish and maintain a  
17 market in this state for the vendor's sale.

18 b. The presumptions in divisions (1) and (2) of  
19 subparagraph a of this paragraph may be rebutted by  
20 demonstrating that the person's activities in this  
21 state are not significantly associated with the  
22 vendor's ability to establish and maintain a market in  
23 this state for the vendor's sales.  
24

1 c. Any ruling, agreement or contract, whether written or  
2 oral, express or implied, between a person and  
3 executive branch of this state, or any other state  
4 agency or department, stating, agreeing or ruling that  
5 the person is not "maintaining a place of business in  
6 this state" or is not required to collect sales and  
7 use tax in this state despite the presence of a  
8 warehouse, distribution center or fulfillment center  
9 in this state that is owned or operated by the vendor  
10 or an affiliated person of the vendor shall be null  
11 and void unless it is specifically approved by a  
12 majority vote of each house of the Oklahoma  
13 Legislature;

14 ~~14.~~ 18. "Manufacturing" means and includes the activity of  
15 converting or conditioning tangible personal property by changing  
16 the form, composition, or quality of character of some existing  
17 material or materials, including natural resources, by procedures  
18 commonly regarded by the average person as manufacturing,  
19 compounding, processing or assembling, into a material or materials  
20 with a different form or use. "Manufacturing" does not include  
21 extractive industrial activities such as mining, quarrying, logging,  
22 and drilling for oil, gas and water, nor oil and gas field  
23 processes, such as natural pressure reduction, mechanical  
24 separation, heating, cooling, dehydration and compression;

1       ~~15.~~ 19. "Manufacturing operation" means the designing,  
2 manufacturing, compounding, processing, assembling, warehousing, or  
3 preparing of articles for sale as tangible personal property. A  
4 manufacturing operation begins at the point where the materials  
5 enter the manufacturing site and ends at the point where a finished  
6 product leaves the manufacturing site. "Manufacturing operation"  
7 does not include administration, sales, distribution,  
8 transportation, site construction, or site maintenance. Extractive  
9 activities and field processes shall not be deemed to be a part of a  
10 manufacturing operation even when performed by a person otherwise  
11 engaged in manufacturing;

12       ~~16.~~ 20. "Manufacturing site" means a location where a  
13 manufacturing operation is conducted, including a location  
14 consisting of one or more buildings or structures in an area owned,  
15 leased, or controlled by a manufacturer;

16       ~~17.~~ 21. "Over-the-counter drug" means a drug that contains a  
17 label that identifies the product as a drug as required by 21  
18 C.F.R., Section 201.66. The over-the-counter-drug label includes:

- 19           a. a "Drug Facts" panel, or  
20           b. a statement of the "active ingredient(s)" with a list  
21               of those ingredients contained in the compound,  
22               substance or preparation;

23       ~~18.~~ 22. "Person" means any individual, company, partnership,  
24 joint venture, joint agreement, association, mutual or otherwise,

1 limited liability company, corporation, estate, trust, business  
2 trust, receiver or trustee appointed by any state or federal court  
3 or otherwise, syndicate, this state, any county, city, municipality,  
4 school district, any other political subdivision of the state, or  
5 any group or combination acting as a unit, in the plural or singular  
6 number;

7 ~~19.~~ 23. "Prepared food" means:

8 a. food sold in a heated state or that is heated by the  
9 seller,

10 b. two or more food ingredients mixed or combined by the  
11 seller for sale as a single item, or

12 c. food sold with eating utensils provided by the seller,  
13 including plates, knives, forks, spoons, glasses,  
14 cups, napkins, or straws;

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

19 ~~20.~~ 25. "Prewritten computer software" means "computer  
20 software", including prewritten upgrades, which is not designed and  
21 developed by the author or other creator to the specifications of a  
22 specific purchaser. The combining of two or more prewritten  
23 computer software programs or prewritten portions thereof does not  
24 cause the combination to be other than prewritten computer software.



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

15 ~~21.~~ 26. "Repairman" means any person who performs any repair  
16 service upon tangible personal property of the consumer, whether or  
17 not the repairman, as a necessary and incidental part of performing  
18 the service, incorporates tangible personal property belonging to or  
19 purchased by the repairman into the tangible personal property being  
20 repaired;

21 ~~22.~~ 27. "Sale" means the transfer of either title or possession  
22 of tangible personal property for a valuable consideration  
23 regardless of the manner, method, instrumentality, or device by  
24 which the transfer is accomplished in this state, or other

1 transactions as provided by this paragraph, including but not  
2 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.~~ 28. "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.~~ 29. "Soft drinks" means any nonalcoholic beverages that  
18 contain natural or artificial sweeteners. Soft drinks shall not  
19 include beverages that contain:

- 20 a. milk or milk products,  
21 b. soy, rice, oat, or similar milk substitutes, or  
22 c. greater than fifty percent (50%) of vegetable or fruit  
23 juice by volume;  
24

1        30. "Tangible personal property" means personal property that  
2 can be seen, weighed, measured, felt, or touched or that is in any  
3 other manner perceptible to the senses. "Tangible personal  
4 property" includes electricity, water, gas, steam and prewritten  
5 computer software. This definition shall be applicable only for  
6 purposes of the Oklahoma Sales Tax Code;

7        ~~25.~~ 31. "Taxpayer" means any person liable to pay a tax imposed  
8 by the Oklahoma Sales Tax Code;

9        ~~26.~~ 32. "Tax period" or "taxable period" means the calendar  
10 period or the taxpayer's fiscal period for which a taxpayer has  
11 obtained a permit from the Tax Commission to use a fiscal period in  
12 lieu of a calendar period;

13        ~~27.~~ 33. "Tax remitter" means any person required to collect,  
14 report, or remit the tax imposed by the Oklahoma Sales Tax Code. A  
15 tax remitter who fails, for any reason, to collect, report, or remit  
16 the tax shall be considered a taxpayer for purposes of assessment,  
17 collection, and enforcement of the tax imposed by the Oklahoma Sales  
18 Tax Code;

19        34. "Tobacco" means cigarettes, cigars, chewing or pipe  
20 tobacco, or any other item that contains tobacco; and

21        ~~28.~~ 35. "Vendor" means:

22            a. any person making sales of tangible personal property  
23                            or services in this state, the gross receipts or gross  
24

1           proceeds from which are taxed by the Oklahoma Sales  
2           Tax Code,

3           b.    any person maintaining a place of business in this  
4           state and making sales of tangible personal property  
5           or services, whether at the place of business or  
6           elsewhere, to persons within this state, the gross  
7           receipts or gross proceeds from which are taxed by the  
8           Oklahoma Sales Tax Code,

9           c.    any person who solicits business by employees,  
10          independent contractors, agents, or other  
11          representatives in this state, and thereby makes sales  
12          to persons within this state of tangible personal  
13          property or services, the gross receipts or gross  
14          proceeds from which are taxed by the Oklahoma Sales  
15          Tax Code, or

16          d.    any person, pursuant to an agreement with the person  
17          with an ownership interest in or title to tangible  
18          personal property, who has been entrusted with the  
19          possession of any such property and has the power to  
20          designate who is to obtain title, to physically  
21          transfer possession of, or otherwise make sales of the  
22          property.

1 SECTION 2. NEW LAW A new section of law to be codified  
2 in the Oklahoma Statutes as Section 1357.11 of Title 68, unless  
3 there is created a duplication in numbering, reads as follows:

4 A. 1. On or after the effective date of this act, an excise  
5 tax of zero percent (0%) is hereby imposed upon all retail sales of  
6 food and food ingredients sold for human consumption off the  
7 premises where sold.

8 2. Any sales tax or excise tax levied by a city, town, county,  
9 or any other jurisdiction in this state upon sales of food and food  
10 ingredients shall be in effect regardless of ordinance or  
11 contractual provisions referring to previously imposed state sales  
12 tax on the items.

13 B. The Oklahoma Tax Commission shall promulgate any necessary  
14 rules to implement the provisions of this section in accordance with  
15 the Streamlined Sales and Use Tax Agreement.

16 SECTION 3. This act shall become effective July 1, 2022.

17 SECTION 4. It being immediately necessary for the preservation  
18 of the public peace, health or safety, an emergency is hereby  
19 declared to exist, by reason whereof this act shall take effect and  
20 be in full force from and after its passage and approval.

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