SUPREME COURT OF OKLAHOMA

American Airlines, Inc. v. State ex rel. Oklahoma Tax Commission

American Airlines, 2014 OK 95 (Okla. 2014) · No. 112489 · Decided November 18, 2014

SUMMARY

The Oklahoma Supreme Court reviewed the denial of American Airlines' sales-tax refund claim for electricity and natural gas used at its aircraft maintenance facility during 2006. The Court held that the Services Exemption in 68 O.S. Supp. 2006, § 1357(28), encompasses electricity and natural gas utility services employed in aircraft repair and maintenance, and it reversed and remanded the Oklahoma Tax Commission's order for further proceedings.

CASE DETAILS

COURT	Supreme Court of Oklahoma
WRITING FOR THE COURT	Combs, J.
JURISDICTION	Oklahoma
DECIDED	November 18, 2014
DOCKET	112489
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	American Airlines appealed an Oklahoma Tax Commission order denying its protest of the denial of a sales-tax refund claim for electricity and natural gas utility services purchased during 2006.
STANDARD OF REVIEW	The Court reviews agency adjudicative orders for substantial evidence supporting the factual findings and freedom from legal error. The agency's legal rulings and statutory-interpretation questions are reviewed de novo through plenary, independent, and nondeferential review.
PRECEDENTIAL VALUE	Published Oklahoma Supreme Court opinion; precedential under Oklahoma law.
PARTIES	American Airlines, Inc. v. State of Oklahoma ex rel. Oklahoma Tax Commission

TOPICS

sales and use tax · tax refunds · statutory interpretation · administrative law · appellate procedure

PRACTICE AREAS

state and local taxation · administrative law · appellate procedure

QUESTIONS PRESENTED

1. Whether the 2006 Services Exemption in 68 O.S. Supp. 2006, § 1357(28), exempted sales tax paid on electricity and natural gas utility services employed in aircraft repair and maintenance.
2. Whether the Services Exemption required American Airlines to be the vendor of the services or limited the exemption to services used to repair aircraft belonging to others.
3. Whether the 2012 amendment to the Parts Exemption rendered the 2006 interpretation of the Services Exemption impermissible or redundant.
4. What methodology should be used to determine the amount of the utility-services refund.

HOLDINGS

1. The term "services" in 68 O.S. Supp. 2006, § 1357(28), includes electricity and natural gas utility services employed in aircraft repair and maintenance. American Airlines was therefore entitled to a sales-tax exemption for those utility services purchased and used during 2006.
2. The Services Exemption does not require American Airlines to be the vendor of the services employed in aircraft repair and does not preclude the exemption when the repairs are performed on American Airlines' own aircraft.
3. The 2012 amendment to 68 O.S. § 1357(20) did not eliminate or negate the 2006 Services Exemption for electricity and natural gas utility services.
4. The Court did not decide the appropriate methodology for calculating the amount of the utility-services refund because the Tax Commission had made no specific finding on that issue.

KEY QUOTATIONS

> *"We find the term "services" in the Services Exemption was intended to include electricity and natural gas utility services."* (¶40)

> *"We hold in the present case as between these parties, the Services Exemption (68 O.S. Supp. 2006, § 1357 (28)) provides an exemption for electricity and natural gas utility services used by AA during 2006 in aircraft repair and maintenance activities."* (¶47)

FACTUAL BACKGROUND

American Airlines operated a large aircraft repair and maintenance facility in Tulsa that qualified as a qualified aircraft maintenance facility. During 2006, it purchased substantial amounts of electricity and natural gas used in aircraft repair and maintenance activities and paid sales tax on those utility services. It sought a refund, supported in part by evidence that most of the utility usage was related to aircraft repair and maintenance, but the Tax Commission denied the utility-services claim.

PROCEDURAL HISTORY

The Account Maintenance and Compliance Division denied most of American Airlines' refund claim. After an administrative hearing, the administrative law judge recommended denying the utility-services portion of the claim, and the Oklahoma Tax Commission adopted those findings and recommendations. The Oklahoma Supreme Court retained the appeal and reversed and remanded for further proceedings.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand to the Oklahoma Tax Commission for further proceedings consistent with the opinion, including determining the appropriate methodology and amount of the sales-tax refund for the qualifying 2006 electricity and natural gas utility services.

CASES CITED

- Neer v. State ex rel. Oklahoma Tax Commission, 1999 OK 41, 982 P.2d 1071
- Dugger v. State of Oklahoma ex rel. Oklahoma Tax Commission, 1992 OK 105, 834 P.2d 964
- Blitz U.S.A., Inc. v. Oklahoma Tax Commission, 2003 OK 50, 75 P.3d 883
- In re Noble's Estate, 1938 OK 324, 80 P.2d 243
- Oklahoma City v. Shields, 1908 OK 195, 100 P. 559
- Colcord v. Granzow, 1928 OK 211, 278 P. 654
- Schulte Oil Co., Inc. v. Oklahoma Tax Commission, 1994 OK 103, 882 P.2d 65
- Dolese Bros. Co. v. State ex rel. Oklahoma Tax Commission, 2003 OK 4, 64 P.3d 1093
- Naylor v. Petuskey, 1992 OK 88, 834 P.2d 439
- Ledbetter v. Howard, 2012 OK 39, 276 P.3d 1031
- YDF, Inc. v. Schlumar, Inc., 2006 OK 32, 136 P.3d 656
- In the Matter of J.L.M., 2005 OK 15, 109 P.3d 336
- Wylie v. Chesser, 2007 OK 81, 173 P.3d 64
- Udall v. Udall, 1980 OK 99, 613 P.3d 742
- Ledbetter v. Oklahoma Alcoholic Beverage Laws Enforcement Commission, 1988 OK 117, 764 P.2d 172
- State ex rel. Department of Human Services v. Colclazier, 1997 OK 134, 950 P.2d 824
- Keating v. Edmondson, 2001 OK 110, 37 P.3d 882
- Moran v. City of Del City, 2003 OK 57, 77 P.3d 588
- Strelecki v. Oklahoma Tax Commission, 1993 OK 122, 872 P.2d 910
- Multiple Injury Trust Fund v. Pullum, 2001 OK 115, 37 P.3d 899
- Samman v. Multiple Injury Trust Fund, 2001 OK 71, 33 P.3d 302
- State ex rel. Oklahoma Tax Commission v. Texaco Exploration & Production, Inc., 2005 OK 52, 131 P.3d 705