NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

OKLAHOMA TAX COMMISSION *v.* JEFFERSON LINES, INC.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

No. 93–1677. Argued November 28, 1994—Decided April 3, 1995

Respondent Jefferson Lines, Inc., a common carrier, did not collect or remit to Oklahoma the state sales tax on bus tickets sold in Oklahoma for interstate travel originating there, although it did so for tickets sold for intrastate travel. After Jefferson filed for bankruptcy, petitioner, Oklahoma Tax Commission, filed proof of claims for the uncollected taxes, but the Bankruptcy Court found that the tax was inconsistent with the Commerce Clause in that it imposed an undue burden on interstate commerce and presented a danger of multiple taxation. The District Court affirmed. The Court of Appeals also affirmed, holding that the tax was not fairly apportioned. Rejecting the Commission's position that a bus ticket sale is a wholly local transaction justifying a State's sales tax on the ticket's full value, the court reasoned that such a tax is indistinguishable from New York's unapportioned tax on an interstate busline's gross receipts struck down by this Court in *Central Greyhound Lines, Inc.* v. *Mealey,* 334 U. S. 653.

Held: Oklahoma's tax on the sale of transportation services is consistent with the Commerce Clause. Pp. 3–26.

(a) Under *Complete Auto Transit, Inc.* v. *Brady,* 430 U. S. 274, Oklahoma's tax is valid if it is applied to an activity with a substantial nexus with the State, is fairly apportioned, does not discriminate against interstate commerce, and is fairly related to the services provided by the State. The activity here clearly has a nexus with Oklahoma, the State where the ticket is purchased and the service originates. Pp. 3–9.

(b) The purpose of the second prong of *Complete Auto*'s test

is to ensure that each State taxes only its fair share of an interstate transaction. A properly apportioned tax must be both internally and externally consistent. Internal consistency looks to whether a tax's identical application by every State would place interstate commerce at a disadvantage as compared with intrastate commerce. There is no failure of such consistency in this case, for if every State were to impose a tax identical to Oklahoma's—*i.e.,* a tax on ticket sales within the State for travel originating there—no sale would be subject to more than one State's tax. External consistency, on the other hand, looks to the economic justification for the State's claim upon the value taxed, to discover whether the tax reaches beyond the portion of value that is fairly attributable to economic activity within the taxing State. Pp. 9–10.

Syllabus

(c) Where taxation of income from interstate business is in issue, apportionment disputes have often focused on slicing a taxable pie among several States in which the taxpayer's activities contributed to taxable income. When examining the taxation of a sale of goods, however, the sale is most readily viewed as a discrete event facilitated by the laws and amenities of the place of sale, and the transaction itself does not readily reveal the extent to which interstate activity affects the value on which a buyer is taxed. Thus, taxation of sales has been consistently approved without any division of the tax base among different States and has been found properly measurable by the gross charge for the purchase, regardless of any activity outside the taxing jurisdiction that might have preceded the sale or might occur in the future. Therefore, an internally consistent, conventional sales tax has long been held to be externally consistent as well. Pp. 10–13.

(d) A sale of services can ordinarily be treated as a local state event just as readily as a sale of tangible goods can be located solely within the State of delivery. Sales of services with performance wholly in the taxing State justify that State's taxation of the transaction's entire gross receipts in the hands of the seller. Even where interstate activity contributes to the value of the service performed, sales with performance in the taxing State justify that State's taxation of the seller's entire gross receipts. See, *e.g., Western Live Stock* v. *Bureau of Revenue,* 303 U. S. 250. In this case, although the service is performed only partially within the taxing State, the buyer is no more subject to double taxation on the sale of services than the buyer of goods would be. The taxable event here comprises agreement, payment, and delivery of some of the services in the taxing State. No other State can claim to be the site of the same combination and these combined events are commonly understood to suffice for a sale. *Central Greyhound, supra,* distinguished. Pp. 13–16.

(e) Jefferson offers no convincing reasons to reconsider whether this internally consistent tax on sales of services could fail the external consistency test for lack of further apportionment. It has raised no spectre of successive taxation so closely related to the transaction as to indicate potential unfairness of Oklahoma's tax on the sale's full amount. Nor is the fact that Oklahoma could feasibly apportion its tax on the basis of mileage, as New York was required to do in *Central Greyhound, supra,* a sufficient reason to conclude that the tax exceeds Oklahoma's fair share. Pp. 16–22.

(f) The tax also meets the remaining two prongs of *Complete Auto*'s test. No argument has been made that Oklahoma discriminates against out-of-state enterprises, and there is no

Syllabus

merit in the argument that the tax discriminates against interstate activity, *American Trucking Associations, Inc.* v. *Scheiner,* 483 U. S. 266, distinguished. The tax is also fairly related to the taxpayer's presence or activities in the State. It falls on a sale that takes place wholly inside Oklahoma and is measured by the value of the service purchased. Pp. 22–26.

15 F. 3d 90, reversed and remanded.

SOUTER, J., delivered the opinion of the Court, in which REHNQUIST, C. J., and STEVENS, KENNEDY, and GINSBURG, JJ., joined. SCALIA, J., filed an opinion concurring in the judgment, in which THOMAS, J., joined. BREYER, J., filed a dissenting opinion, in which O'CONNOR, J., joined.