

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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April 20, 2000

Re: Our File Number LR 00-09; Taxability of transportation and delivery charges

Dear

Please be advised that since November 1, 1998, the cost of transportation, i.e. freight, shipping and handling charges, from a point outside Oklahoma to a point inside this State has not been subject to **use tax**.

The sales tax treatment of transportation and delivery charges is governed by Oklahoma Tax Commission rule 710:65-19-70 and Title 68 Oklahoma Statutes Section 1354(A)(3). Charges that result from shipping merchandise to vendor's customers i.e. the cost of transportation from the vendor's inventory to the customer is not subject to **sales or use tax, if it is separately stated**. This exemption applies to all sales, taxable and non taxable.

Additionally, handling charges associated with the sale of tangible personal property, if they represent an element of cost to a seller, should be included in gross receipts or "gross proceeds" the total amount of consideration for the sale of any tangible personal property or service. See Title 68 Section 1352(7).

Therefore, transaction number 1 would be subject to tax as part of "gross receipts" and should be included in the total cost of the product. Also see subsection (c) of Commission Rule 710:65-19-70. Transaction number 2 is not subject tax, if it is separately stated on the invoice. Also see subsection (b) of the same rule.

A copy of the statutory reference and commission rule is enclosed. If I can be of further assistance, please contact me.

Sincerely,

Brenda J. Sullivan
Tax Policy Analyst

Enclosure

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IT IS OUR MISSION TO SERVE THE PEOPLE OF OKLAHOMA BY PROMOTING TAX COMPLIANCE THROUGH QUALITY SERVICE AND FAIR ADMINISTRATION