

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

May 2, 2000

Re: Our File Number LR – 00-85; Taxability of shipping and handling charges

Dear :

Please let this letter serve as written clarification of your understanding of the use tax treatment of transportation and delivery charges. Since November 1, 1998, the cost of transportation, i.e. shipping and handling charges, from a point outside Oklahoma to a point inside this State has not been subject to **use tax**. However, this type of charge depends not only upon what the charge consists of, and how it is invoiced, but also whether the underlying charge was agreed to separately from the purchase price arrived at between the buyer and seller.

The 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, since the \$2.25 shipping and handling charge is separately stated on the sample invoice provided, it is our determination that the charge falls within category (b) of the above rule, and is not subject to tax.

Copies of the statutory references and commission rule are enclosed for your information. If I can be of further assistance, please contact me.

This response applies only to the circumstances set out in your request of April 19, 2000 and may not be relied upon by any entity other than the addressee. In the event of any change in the facts surrounding the transaction described, this letter ruling would no longer be applicable. You are further advised that subsequent statutory or administrative rule changes or judicial construction of the statutes or rules upon which this advice is based may yield a different result from that which is expressed here.

If your corporate office desires confirmation of this ruling, written request should be made to the address showing above.

Sincerely,

Brenda J. Sullivan
Tax Policy Analyst

Enclosure