

# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
TONY MASTIN, DIRECTOR

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

October 1, 2001

Re: Our file Number LR-01-150; Taxability of transportation and delivery charges (handling)

Dear

This is in response to your inquiry regarding the taxability of shipping and handling charges.

Based on the facts in your correspondence, it appears that \_\_\_\_\_ is a Multi-level, i.e. Network Marketing Sales Company. Commission Rules do not distinguish between independent distributors and independent consultants. The sales tax treatment of Multi-Level, i.e. Network Marketing Sales is governed by Oklahoma Tax Commission Rule 710:65-19-214 and Commission Rule 710:65-19-70 is also relevant. We submit the following as written confirmation of your understanding of the sales/use tax treatment of transportation.

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.

However, 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, if the "transportation and handling" charge is a charge that results from shipping merchandise to your customer it is not subject to **sales or use tax, if it is separately stated** on your

company's sales invoices or as described in your letter as a pick ticket, which states a flat fee that represents a charge for "postage/handling".

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 September 17, 2001. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law. If I can be of further assistance, please feel free to contact me.

Sincerely,

Brenda J. Sullivan  
Tax Policy Analyst

Enclosure