OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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January 7, 2004

Re: Our File Number LR-03-282; Taxability of shipping and handling charges

This is in response to your request for guidance on the taxability for the above subject. I have scanned your questions into this letter, followed our response.

"We are seeking guidance on the taxability of shipping and handling charges. Our specific product taxability questions are detailed below. It would be helpful to us if you indicate any statutes or authorities you use.

Are shipping and handling charges subject to sales and use tax in the following scenarios?

Our Response: No, please see Commission Rule 710:65-19-70 subsection (f).

We are a retail business selling tangible, personal property to the end users. We employ a variety of methods in delivering the products to the customer. The sale price of the merchandise does not include shipping charges. Shipping and handling charges may be lumped together depending on the scenario; however, they are separately stated from the price of the merchandise on the invoice.

Scenario #1:
a) Delivered via common carrier
b) F.O.B. destination
c) Shipping charge is reflective of actual cost incurred to deliver the property

Scenario #2:
a) Delivered via common carrier

b) F.O.B. destination
c) Shipping charge exceeds actual cost incurred by the vendor to deliver the property

Scenario #3:
a) Delivered via common carrier
b) F.O.B. destination
c) Shipping and handling charges are combined and are reflective of actual cost to deliver the property

Scenario #4:
a) Delivered via common carrier
b) F.O.B. destination
c) Shipping and handling charges are combined and are marked up in excess of the actual cost incurred by the vendor to deliver the property

Scenario #5:
a) Delivered via common carrier
b) b) F.O.B. origin

Scenario #6:
a) Delivered via contract carrier
b) F.O.B. destination
c) Shipping charge is reflective of actual cost incurred to deliver the property

Scenario #7:
a) Delivered via contract carrier
b) F.O.B. destination
c) Shipping charge exceeds actual cost incurred by the vendor to deliver the property

Scenario #8:
a) Delivered via contract carrier
b) F.O.B. destination
c) Shipping and handling charges are combined and are reflective of actual cost to deliver the property

Scenario #9:
a) Delivered via contract carrier
b) F.O.B. destination
c) Shipping and handling charges are combined and are marked up in excess of the actual cost incurred by the vendor to deliver the property

Scenario #10:
a) Delivered via vendor equipment
b) Shipping charge is reflective of actual cost incurred to deliver the property

Scenario #11:
a) Delivered via vendor equipment
b) Shipping charge exceeds actual cost incurred by the vendor to deliver the property

Scenario #12:
a) Delivered via vendor equipment
b) Shipping and handling charges are combined and are reflective of actual cost to deliver the property

Scenario #13:
a) Delivered via vendor equipment
b) Shipping and handling charges are combined and are marked up in excess of the actual cost incurred by the vendor to deliver the property

Does the taxability of any of the above scenarios change if the purchaser has the option to make other delivery arrangements of the property?"

Our Response: No.

This response applies only to the circumstances set out in your request of December 1, 2003. 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