

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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Re: Our File Number LR-04-043; Sales tax on delivery charges.

Dear

This is in response to your inquiry concerning whether charges for transportation of goods, from a manufacturer, directly to the physical location of your customer, is subject to sales tax if the transportation charge is separately stated from the cost of the items being sold.

This separate charge for transportation of goods from the manufacturer, directly to your customer, where the goods are not physically delivered to your firm, even though your firm pays the carrier transporting the goods directly and adds the charge as a separate line item to the customer's invoice, is not subject to sales tax in Oklahoma.

Conversely, charges for transporting goods from the manufacturer to your company, where your company takes actual physical possession of the goods, is subject to sales tax even if the charge is separately stated on your company's invoice which is used to bill its customer for the goods and the transportation charges.

This letter ruling is based on Oklahoma Tax Commission Rule 710:65-19-70. A copy is attached.

In the fax you sent requesting clarification of this rule, you referenced letter ruling LR-04-024. In that ruling, we state that the "order charge" that appears on invoice number is not taxable. That statement is not correct. The "order charge", which is a charge that was charged by the manufacturer of the item being purchased and which is being passed on to your customer, is taxable since it is not a "handling charge". The rule referenced above defines "handling charge" as a charge for additional services that a vendor performs as a result of a purchaser requesting that an item be shipped. Therefore the "order charge" is taxable. We will be contacting the addressee of the letter ruling and advising them directly of the error.

This response applies only to the circumstances set out in your request of March 16, 2004. 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,
OKLAHOMA TAX COMMISSION

A handwritten signature in black ink, appearing to read "Michael G. Pillow".

Michael G. Pillow
Tax Policy Analyst

cc: Brenda Sullivan