

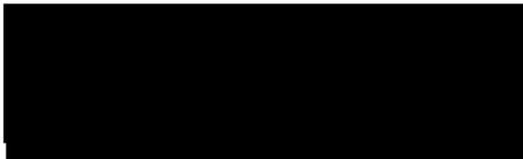
OKLAHOMA TAX COMMISSION



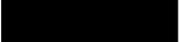
TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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

August 11, 2014



Re: LR-14-046

Dear 

This is in response to your inquiry regarding the taxability of an amount billed to your customers designated as a "Consolidated Freight Charge". Set forth are the facts presented along with the response thereto.

FACTS

We are in the process of incorporating a new charge for our customers. This new charge will be called a "Consolidated Freight Charge". Our definition of this charge is: "Freight assessed on product transported from one  facility to the other for the purpose of consolidating a customer's order to ship from a single shipping point. The charge will be calculated as a % of the invoice price for the product (line items) that are produced in one plant and transferred to another for shipment consolidation. This charge will be shown as a single line item on the bottom of the customers invoice."

RESPONSE

Gross receipts, gross proceeds, or sales price is the base upon which sales tax is calculated. The terms are synonymous and are defined as "the total amount of consideration . . . for which personal property or services are sold . . . whether received in money or otherwise. . . ." 68 O.S. § 1352(12)(a). In accordance with Section 1352(12)(a) of Title 68 no deduction from gross receipts is allowed for the following:

- (1) the seller's cost of the property sold,
- (2) the cost of materials used, labor or service cost,
- (3) interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller,

- (4) charges by the seller for any services necessary to complete the sale, other than delivery and installation charges,
- (5) delivery charges and installation charges, unless separately stated on the invoice, billing or similar document given to the purchaser, and
- (6) credit for any trade-in.

Separately stated delivery charges are not subject to sales tax unless they represent amounts paid by the seller in acquiring the property for sale. 68 O.S. § 1352(a)(12)(3) and Oklahoma Administrative Code 710:65-19-70(d). For example, if the amount billed by the vendor to its customer is attributable to the vendor's costs of preparing and transporting merchandise to the customer and is separately stated on the customer's bill or invoice, the delivery charge is not subject to sales tax. However, if such an amount relates to shipping, freight or delivery charges paid by a vendor to acquire the merchandise for sale, then the amount becomes part of gross receipts and is subject to sales tax when resold to a customer, even if separately stated on the customer's bill or invoice.

Based on the above-stated facts, the described "Consolidated Freight Charge" represents your costs of preparing and transporting the merchandise to the customer and; therefore, if separately stated, is not subject to sales tax.

Attached are copies of the referenced Oklahoma statutory and administrative rule provisions.

This response applies only to the circumstances discussed in your request received June 14, 2014. Pursuant to Oklahoma Administrative Code 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 there has been no change in applicable law.

Sincerely,

OKLAHOMA TAX COMMISSION



Brenda J. Sullivan
Tax Policy Analyst