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Gail Cole • Dec. 02, 2018



Ready or not, the holidays are here. This is the busiest time of year for most retailers — and typically involves an enormous amount of shipping. A review of state sales tax rules for shipping and delivery charges therefore seems in order.

There are two ways for sellers to handle shipping and delivery charges: separately state them on the invoice or bill of sale, or include them. If separately stated,

taxability generally depends on whether these charges are taxable in the state. The

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But that's just the tip of the iceberg, because there are exceptions to every rule when sales tax is involved. Furthermore, some states have different rules for different situations.

To help make shipping go more smoothly this holiday season, we've created this handy state-by-state guide.

State-by-state guide to shipping taxability

Alabama: Deliveries made in a vehicle leased or owned by the seller are generally taxable in Alabama, while separately stated transportation charges for shipments made by common carrier are exempt when paid (directly or indirectly) by the consumer.

Arizona: Delivery charges for exempt sales are generally exempt in Arizona, whether separately stated or included. For taxable sales, separately stated delivery charges are exempt but delivery charges that are included are taxable. Handling charges are always taxable, as are combined shipping and handling charges.

Arkansas: Delivery charges are considered part of the gross receipts or gross proceeds of a sale in Arkansas. If the sale is taxable, delivery charges are generally taxable; if the sale is exempt, delivery charges are generally exempt. If a shipment includes both taxable and exempt property, tax applies to the percentage of the delivery charge allocated to the taxable property.

California: Generally, if the sale isn't taxable, related delivery charges are non-taxable; if the sale is taxable, delivery-related charges may be non-taxable, partially taxable, or fully taxable.

Colorado: Delivery and freight charges for taxable sales are generally taxable in Colorado if included but exempt if "separable from the purchase and separately

stated” on the invoice. “Separable” means the charge is added after the property is

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Florida: Transportation charges for taxable sales are generally taxable whether separately stated or included. However, separately stated shipping charges that can be avoided (by having customer handle shipping) are exempt in Florida.

Georgia: Generally, delivery, freight, transportation, shipping, and handling charges for taxable sales are taxable in Georgia, whether separately stated or included. Delivery charges for exempt sales are generally exempt.

Hawaii: Hawaii’s general excise tax (GET) is a privilege tax imposed on business activity in Hawaii. It generally applies to most transactions, including most shipping and handling fees. In the rare event a sale is exempt, related shipping charges would generally be exempt.

Idaho: Shipping and handling charges that are included in the sale price are generally taxable when the sale is taxable and exempt when the sale is exempt. Separately stated charges to deliver goods to the purchaser by means of the retailer’s delivery van are generally exempt in Idaho.

Illinois: Transportation and delivery charges are considered part of the sale in Illinois when there’s an “inseparable link” between the sale of tangible personal property and the delivery of the property; in such instances, the delivery is taxable when the sale is taxable and exempt when the sale is exempt. An inseparable link exists when delivery charges are not separately identified on the contract or invoice, or the seller doesn’t offer the purchaser a delivery choice (e.g., allowing the customer to pick up the property). When there is no inseparable link, transportation and delivery charges are considered separate from the sale and are not taxable.

Indiana: In general, delivery charges for taxable goods in Indiana are taxable when included in the sale. However, separately stated “postage charges” (the purchase price of stamps or similar charges for mail or parcel delivery through the U.S.) aren’t

taxable. Delivery charges billed and furnished by a third party are also exempt, as are

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Kentucky: Delivery charges (charges by the retailer for preparation and delivery to a location designated by the purchaser) are included in the sale price and are subject to tax if the sale is taxable, and exempt if the sale is exempt. However, delivery charges in Kentucky are generally exempt when charged by companies not in the business of selling tangible personal property.

Louisiana: Separately stated shipping and delivery charges are generally exempt from state sales tax in Louisiana, whether delivered by a seller's vehicles, by a third party, or by a common carrier. For taxable sales, delivery and shipping charges that are included in the sale price are generally subject to state sales tax. Sellers can only separately state the delivery charge if the buyer can avoid it (i.e., by picking up the goods). Different rules may apply for local sales tax.

Maine: Generally, separately stated charges to deliver tangible personal property are exempt from Maine sales tax if the shipment goes directly to the buyer and transportation occurs by common carrier, contract carrier, or the U.S. mail. Shipping charges that are included in the price of a taxable sale are generally taxable.

Maryland: Delivery charges included in the taxable price are generally taxable in Maryland, while separately stated delivery charges are not taxable. However, handling charges cannot be separately stated, so if the sale is taxable, the handling charges are taxable. When shipping and handling charges are combined, the shipping charge loses its exemption and the entire charge is taxable.

Massachusetts: Shipping and delivery charges that are separately stated are exempt from Massachusetts sales and use tax, provided delivery occurs after the purchase takes place. Handling charges can be combined with shipping charges; if stated separately, "shipping and handling" charges are exempt. Note: The shipping charge must be "reasonable."

Michigan: Shipping and handling charges on taxable retail sales are generally

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the method of delivery in Minnesota. If a business delivers the products itself, the charges are considered part of the sale price (i.e., taxable if the sale is taxable, and exempt if the sale is exempt). If the sale includes both taxable and exempt products, tax should be charged based on the percentage (or weight) of taxable goods. When goods are transported via common carrier or a third-party delivery service, shipping and delivery charges are generally exempt. Special rules apply to delivery of aggregate materials and concrete block.

Mississippi: Charges for the shipping, handling, and delivery of taxable goods are generally subject to Mississippi sales tax.

Missouri: Transportation charges for taxable goods are generally taxable in Missouri when included in the sale price or when the purchaser is required to pay it. Separately stated transportation charges are generally exempt if the purchaser is not required to pay for the service. However, if the buyer isn't required to pay for transportation charges but they aren't separately stated, they're taxable.

Nebraska: Delivery charges in Nebraska are generally taxable when the sale is taxable *and* the consumer pays the delivery charge to the retailer. They're exempt when the sale is exempt, *or* the purchaser contracts with and pays a freight company or the U.S. Post Office separately for delivery. Separately stated delivery charges for U.S. postage for the delivery of direct mail are also exempt.

Nevada: Services necessary to complete the sale of tangible personal property are taxable in Nevada, so transportation charges included in the sale price of taxable goods are taxable. However, separately stated delivery, freight, and transportation charges in Nevada are generally exempt. Handling charges are taxable whether separately stated or included.

New Jersey: Delivery and handling charges on taxable sales are generally taxable in

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New York: Shipping, handling, and delivery charges on taxable sales are generally taxable in New York. However, if the customer arranges delivery by a third party and pays that third party directly, the third-party delivery charge is exempt. Shipping, handling, and delivery charges for non-taxable sales are generally exempt. Combined charges for transporting both taxable and exempt sales are generally taxable, but if the charge for shipping or delivery is separately stated and fairly allocated between taxable and nontaxable sales, then shipping charges for the taxable sales are taxable and shipping charges for the exempt sales are exempt.

North Carolina: All shipping and handling, transportation, and delivery charges imposed by a retailer and connected with taxable sales are generally subject to sales and use tax in North Carolina, whether included in the sale price or separately stated. If both taxable and exempt sales are listed on an invoice, shipping and handling charges should be allocated proportionally to each item. However, if shipping and handling charges are based on a flat rate per package "the retailer can allocate the charges to any of the items in the package rather than apportion the charges."

North Dakota: Freight, delivery, and other transportation charges, including shipping and handling, are always considered part of the selling price in North Dakota. Thus, if the sale is taxable, shipping charges are taxable, and if it's exempt, they're exempt. However, delivery charges billed directly to the customer (i.e., not connected to a sale of tangible personal property) are generally exempt. If a retailer ships both taxable and exempt goods in one delivery, the portion of the cost to ship the taxable goods is taxable.

Ohio: Delivery charges are considered part of the sale price whether separately stated or included in the price. Thus, they're taxable if the sale is taxable and exempt if the sale is exempt. If one delivery charge includes both taxable and exempt sales, it can be allocated (by weight or sale price) so tax is only charged to ship the portion of the

shipment that's taxable. If it isn't allocated, tax applies to the whole shipping charge.

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included. If the item(s) being *shipped* is exempt, the *shipping* and *handling* charges are exempt. If a shipment contains both *taxable* and nontaxable goods, then the *shipping* and *handling* charges for the entire shipment are subject to tax. Charges for delivery made and billed by a third party are exempt.

Rhode Island: Delivery charges (including handling charges) are considered part of the sale price, so they're generally exempt when the sale is exempt and taxable when the sale is taxable. If a shipment contains both taxable and exempt goods, the seller should allocate the delivery charges by sale price or weight.

South Carolina: In general, charges to deliver tangible personal property are part of the tax base (i.e., taxable) when a retailer charges a customer for the delivery of tangible personal property in the retailer's own trucks, and when the retailer charges a customer for delivery via common carrier and the shipping terms are **F.O.B.**

Destination. However, when the delivery is by common carrier and the terms are F.O.B. Shipping Point, the delivery charge isn't considered part of the tax base and it's exempt. If the shipping terms aren't specified, delivery charges are considered part of the tax base and are taxable, but the seller may not deduct related shipping costs. Finally, charges to ship exempt sales are generally exempt.

South Dakota: In general, a retailer's charge for delivery and handling of taxable products is subject to the same state and municipal sales tax as the product. If the sale is exempt, shipping and handling charges are also exempt. If both taxable and nontaxable products are in the same shipment, sales tax is due on the portion of the delivery charge for the taxable products (determined by sale price or weight). If a retailer hires a third party to make a delivery, and bills the customer for the delivery, the retailer must include the transportation charges in the taxable receipts.

Tennessee: Delivery charges are part of the sale price in Tennessee. Thus, if the sale is taxable, delivery charges are taxable; if the sale is exempt, delivery charges are

exempt. If a shipment contains both exempt and taxable sales, sales tax applies to the

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Vermont: In a nutshell, if the sale is taxable, tax is also due on delivery and freight charges for delivery of the item. However, if the sale is exempt, associated delivery charges are also exempt. There's **no sales tax on stand-alone shipping charges** not associated with a retail sale.

Virginia: Be careful in Virginia. Separately stated shipping charges, including postage, are exempt from Virginia sales tax, but handling charges are always taxable. When shipping charges are combined with handling or other fees as a single charge, they're taxable.

Washington: Sales tax generally applies to charges to deliver taxable goods, even if separately stated, or if the seller is also the carrier. However, charges to deliver exempt goods are generally exempt. If a shipment contains both taxable and exempt goods, tax applies to the percentage of the delivery charges due on the taxable goods (determined by sale price or weight). Delivery charges may be exempt when a third party is hired by the consumer to deliver purchased goods after the sale.

West Virginia: Generally, shipping and handling charges are considered part of the sale price in West Virginia. For taxable sales, the charges are generally taxable; for exempt sales, they're generally exempt. This is true for both included and separately stated delivery charges, **unless** the delivery service is provided by a common carrier subject to regulation by the Public Service Commission and the customer pays the common carrier directly (not the retailer).

Wisconsin: Delivery charges for taxable sales are generally taxable in Wisconsin, whether delivery is by common or contract carrier, the U.S. Postal Service, or the seller's vehicle. Likewise, delivery charges for exempt sales are generally exempt. If a shipment includes both taxable and nontaxable sales, the portion allocated to

nontaxable sales is exempt; if no allocation is made, the entire charge is taxable.

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“charges for any delivery where pick up and delivery is in the District for which a separate charge is made, except merchandise delivered for resale for which a District of Columbia Certificate of Resale (Form OTR-368) has been issued.”

If all that makes you want to climb in a box and ship yourself to a place where there is no sales tax, like New Hampshire or Oregon, [consider automating sales and use tax calculation and filing](#).

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Gail Cole is a writer specializing in sales and use tax issues for [Avalara](#).

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