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Gail Cole • Jul. 18, 2023



Worldwide retail ecommerce sales could reach [\\$6.169 trillion](#) in 2023 and comprise 22.3% of total retail sales. If you're part of that rising tide, you need to know how to tax shipping and delivery charges.

Is shipping taxable? Just as there's no one way to get products into the hands of customers, there's no one way to tax delivery charges: Taxability varies by state and is influenced by the delivery method, whether the products being shipped are taxable or exempt, and other factors. Charges for a company to deliver goods in its own vehicle are often taxed differently than charges for delivery by common carrier or

private carrier. A combined charge for shipping and handling may be taxed

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exempt sale is exempt

But that's just the tip of the iceberg. The following guide provides more detailed information for each state and answers frequently asked questions like, "Do you charge sales tax on items shipped out of state?" or "Is there sales tax on U.S. postage stamps?"

What follows are general guidelines, not tax advice. Please confirm all information with the state department of revenue or a trusted tax advisor.

How do states tax shipping and delivery charges?

Alabama: Delivery charges are subject to sales or use tax if the delivery is made in a vehicle owned or leased by the seller. When made by common carrier or the United States Postal Service (USPS), transportation charges are exempt from sales tax if billed as a separate item (identifiable from other charges) and paid (directly or indirectly) by the purchaser. Transportation charges that are included in the sale price are not excluded from tax.

Arizona: Shipping charges are generally exempt from Arizona transaction privilege tax (TPT) if separately stated but taxable if included in the sale price. Per [Ariz. Admin. Code § 15-5-133](#), freight costs incurred prior to retail sale are considered part of gross sales and therefore subject to tax. Likewise, handling charges for tangible personal property are generally subject to tax, as are combined shipping and handling charges.

TPT generally doesn't apply to freight costs billed to and collected from a purchaser by a retailer for tangible personal property shipped directly from a manufacturer or wholesaler to the purchaser (aka, drop shipments).

Arkansas: Freight, shipping, and transportation are considered part of a sale in

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In general, delivery-related charges for taxable products are not taxable when you ship directly to the purchaser via common carrier, contract carrier, or USPS; delivery, shipping, freight, or postage charges are separately stated; and the charge isn't greater than the actual cost of delivery. Delivery-related charges for taxable sales may be partially taxable if the above conditions are true but you charge the customer more for shipping than the actual shipping costs, or if you have a combined charge for shipping and handling. Handling charges are taxable in California.

Delivery-related charges for taxable sales are generally subject to California sales tax if you: deliver merchandise in your own vehicle; make a separately stated charge for fuel surcharge, handling, etc.; include a delivery charge in the unit price of the item; or charge the customer the cost of shipping the merchandise to your place of business. It's important to keep accurate records that show the actual cost of delivery.

Stamps sold for postage are exempt from California sales tax.

Colorado: Delivery and freight charges for taxable sales generally are not subject to sales tax in Colorado provided the charges are 1) separately stated on the customer invoice and 2) separable from the purchase. A charge is considered separable from the purchase if it's for service performed after the property is offered for sale and the consumer has the option to arrange their own shipping — including but not limited to picking up the property from the seller's location. Delivery and freight charges related to exempt transactions are generally exempt because they're considered part of the exempt sale. Different rules may apply for local sales tax.

Connecticut: Shipping and delivery charges for taxable sales are generally taxable in Connecticut whether separately stated or included in the sale price, and whether provided by the seller or a third party. Shipping and delivery charges for exempt sales are generally exempt.

Florida: Delivery charges for taxable sales are generally taxable whether separately

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Hawaii: Hawaii's general excise tax (GET) is a privilege tax imposed on business activity in Hawaii. It generally applies to most transactions, including [shipping and handling](#) fees.

Idaho: Shipping and handling charges are supposed to be separately stated in Idaho, and separately stated charges for delivery to the buyer are exempt in Idaho. Fees charged for shipping goods *to* the retailer are subject to Idaho sales tax even if separately stated.

Illinois: For retail sales, shipping and handling charges for exempt transactions are exempt in Illinois. Shipping and handling charges for taxable goods are generally taxable when 1) the charges are not separately stated on the contract or invoice, or 2) the charges are separately identified but the seller doesn't offer the purchaser the option to receive the property in any manner except by delivery from the seller (i.e., no pickup option is given).

If a shipment contains both taxable and exempt products, the entire delivery charge is normally subject to Illinois sales tax; however, a lump-sum delivery charge would be exempt if the price of the exempt items is greater than the price of the taxable items. And if delivery charges can be calculated on each item of a shipment, charges to ship the exempt items would be exempt.

Indiana: Shipping and handling charges incurred on behalf of a seller of taxable tangible personal property are generally taxable in Indiana, whether included in the sale price or separately stated. However, separately stated "postage charges" (the purchase price of stamps or similar charges for mail or parcel delivery through the U.S.) are exempt, as are delivery charges billed and furnished by a third party. Charges to deliver exempt property are generally exempt.

Iowa: Separately stated delivery charges are generally exempt in Iowa. However,

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exempt.

Kentucky: Delivery charges (charges by the retailer for preparation and delivery to a location designated by the purchaser, including transportation, shipping, postage, handling, crating, and packaging) are included in the sale price, therefore they're subject to tax if the sale is taxable but exempt if the sale is exempt.

Louisiana: For taxable sales, delivery and shipping charges included in the sale price are generally subject to state sales tax. However, shipping charges may be exempt if the purchaser has the option to separately contract for shipping (e.g., by picking up the goods or arranging a third-party delivery), and state sales tax doesn't generally apply to separately stated freight, shipping, or delivery charges when transportation is rendered subsequent to the sale (this must be clearly stated). Different rules may apply for local sales tax because Louisiana is a home-rule state.

Maine: For the most part, delivery charges are exempt from Maine sales tax if these three conditions are met: Shipment is made directly to the purchaser, shipping charges are separately stated, and shipment is made by common or contract carrier or the U.S. mail. **Handling charges** are generally taxable, and when the cost of transportation is combined with other services, as in a charge for "shipping and handling," it isn't separately stated and therefore would be taxable. Charges for delivery by the seller in their own vehicle are generally included in the taxable sale price if the products being delivered are taxable.

Maryland: Separately stated shipping or delivery charges are not taxable. However, delivery charges included in the taxable price are generally taxable, as are handling charges and combined shipping and handling charges.

Massachusetts: Separately stated shipping and delivery charges are excluded from the sale price and generally exempt from Massachusetts sales and use tax if the charges

are reasonable and delivery occurs after the purchase takes place. Handling charges

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Minnesota: Shipping and handling charges for taxable items are generally taxable, while shipping and handling charges for exempt items are generally exempt. If a transaction includes both taxable and exempt products, the tax on shipping and delivery charges should be allocated based on either the percentage or weight of taxable goods. Delivery services furnished and billed by a third party are generally exempt for deliveries of aggregate materials or concrete block.

Mississippi: Charges for the shipping, handling, and delivery of taxable goods are generally subject to Mississippi sales tax. Delivery charges are exempt from Mississippi sales tax if the product being shipped or delivered is exempt.

Missouri: Shipping and handling charges for taxable goods are generally taxable in Missouri when included in the sale price. Separately stated transportation charges are generally exempt provided the purchaser isn't required to pay for the service.

Nebraska: Shipping and handling charges are generally taxable in Nebraska when the sale is taxable *and* the charges are paid to the retailer. They're generally exempt when the sale is exempt. If there's a single delivery charge for a shipment of exempt and taxable property, **tax should be allocated**. Charges for delivery, freight, postage, shipping, or transportation paid to a person other than the retailer are generally exempt.

Nevada: Services necessary to complete the sale of tangible personal property, such as shipping and handling services, are generally taxable in Nevada. Separately stated postage, shipping, and transportation charges are generally exempt, but crating, handling, packaging, or similar charges are taxable whether separately stated or included in the sale price. Charges for freight or transportation before the sale of tangible personal property (i.e., inbound freight) is taxable.

New Jersey: Most charges associated with the shipping, handling, and delivery of

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New York: Shipping, handling, and delivery charges on taxable sales are generally taxable in New York, while shipping, handling, and delivery charges for nontaxable 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. Sales tax isn't imposed on delivery services sold independently from the sale of the taxable goods.

Stamps are generally exempt from New York sales tax if purchased for the purpose of mailing, but taxable if purchased for some other purpose.

North Carolina: Shipping and handling, transportation, and delivery charges imposed by a retailer and connected with the sale of taxable personal property, certain digital property, and certain services in the state are generally subject to North Carolina sales and use tax 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. 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 considered part of the sale 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 by a delivery provider not connected to the sale of tangible personal property are generally exempt.

Ohio: Delivery charges are considered part of the sale price whether separately stated or included in the price, so 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

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Pennsylvania: Charges for the shipping and handling of taxable goods are generally subject to Pennsylvania sales tax whether separately stated or included in the sale price. If the item being shipped is exempt, the shipping and handling charges are generally exempt.

When a **shipment contains both taxable and nontaxable goods**, the shipping and handling charges should be proportionately allocated to each item so that charges to ship taxable goods can be taxed and charges to ship exempt goods can be exempt. If no breakdown is provided, 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: Shipping and handling charges for taxable goods are generally taxable in South Carolina, while shipping and handling charges for exempt goods are generally exempt. The taxability of charges for a retailer to deliver tangible personal property in its own truck depends on whether the terms are **free on board** (FOB) destination or FOB shipping point (or origin): FOB destination is generally taxable and FOB shipping point is 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. Since most sales in South Dakota are taxable, shipping and handling charges are generally taxable. However, 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

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Texas: Shipping and delivery charges in Texas are taxable if the sale is taxable but exempt if the sale is exempt. Separately stated delivery charges by a third-party shipper are also exempt when provided at the customer's request.

Utah: Delivery charges (including but not limited to transportation, shipping, postage, handling, crating, or packing) for taxable and exempt sales of tangible personal property, products transferred electronically, or services in the state are generally exempt if separately stated. Charges to ship taxable goods may be taxable if they're part of the sale price (or "freight-in").

Vermont: If an item is subject to Vermont sales tax, sales tax applies to delivery and freight charges for delivery of the item. If a sale is exempt, associated delivery charges are also exempt. When a shipment contains both taxable and exempt goods, tax applies only to the taxable portion of the order (based on the percentage of the price or the weight of the taxable items in the package). There's generally **no sales tax on stand-alone shipping charges** not associated with a retail sale.

Virginia: Separately stated shipping charges, including postage, are generally exempt from Virginia sales tax, but handling charges are always taxable. Shipping charges for taxable goods are taxable when not separately stated on the invoice, or if they're combined with handling or other fees as a single charge.

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.

[Sales of postage stamps](#) are exempt from Washington sales tax, but any amount

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includes both taxable and nontaxable sales, the portion allocated to nontaxable sales is exempt; if no allocation is made, the entire charge is taxable.

Wyoming: Shipping and handling charges for taxable goods are generally subject to Wyoming sales tax if included in the sale price, but they're generally exempt if separately stated and distinguishable from any taxable charge that may appear on the same invoice.

Washington, D.C.: Shipping and handling charges are generally taxable in the District of Columbia if [included as a single item on the bill](#), but separately stated shipping or delivery charges are generally exempt. Additionally, shipping charges are generally exempt when title transfers to the purchaser at the time of sale (i.e., prior to shipment), or FOB origin.

Should you charge sales tax on items shipped out of state?

It depends, as with most things related to sales tax. However, in most states, the tax on delivery charges is typically governed by the location of the delivery: The retailer would need to tax shipping charges if shipping charges are taxed in the state where the delivery is made.

For example, items shipped to consumers outside of Minnesota aren't subject to [Minnesota sales tax](#). However, they may be subject to sales tax in the state where the delivery is made.

The [Kansas Department of Revenue](#) explains it like so: "If the retailer sells merchandise to be shipped or delivered to the purchaser out-of-state, then the sale is considered to occur out-of-state, and no Kansas sales tax is due." However, the retailer may be required to collect and remit the other state's sales tax on the

shipping charges. If the retailer doesn't have nexus with the other state and therefore

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necessary. [Automating sales tax collection, remittance, and filing](#) is the most effective way to get it right.

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