

Interpretation 2021-01

Shipping & Delivery Charges

Issue:

Are shipping and delivery charges that a seller passes on to its customer subject to sales tax?

Discussion:

Under the Uniform code, sales tax is assessed on the sales price of all remote sales where delivery is made into a member taxing jurisdiction. (Section 030)

Sales price is then defined as: the total amount of consideration, including cash, credit, property, products, and services, for which property, products, or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

- A. The seller's cost of the property or product sold;
- B. The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;
- C. Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
- D. Delivery charges;
- E. Installation charges; and
- F. Credit for any trade-in, as determined by state law.

Determination:

Based on the definition of sales price, shipping / delivery charges are part of the sales price, and as such are subject to sales tax based on the jurisdiction's rate where the property is delivered.

Summary:

- Shipping / Delivery charges should be taxed even if the charges are separately stated.
 - Exception-some jurisdictions do not tax shipping / delivery charges when:
 1. The seller charges its customer the exact amount of the shipping costs incurred by the seller **and**
 2. The shipping / delivery charges are separately stated.
 - Please visit <https://alaska.ttr.services/> to look up each jurisdiction and their treatment of shipping / delivery charges.
 - Under the General merchandise section, look for:
 - "Shipping Charges – Separately Stated-Associated with a Sale of Taxable Items"
- Shipping / Delivery charges should be exempted as a part of the sales price of the good(s) if the customer or transaction is otherwise exempt.
- Shipping / Delivery charges are considered part of the sales price of good(s) sold for purposes of determining a sales tax cap or maximum sales tax due on a transaction.

Approved January 19, 2021