

Taxable Status of Charges for Transportation and Handling  
of Tangible Personal Property

This memorandum states the Tax Department's policy on the application of sales tax to charges for transportation and handling of tangible personal property.

Section 1101(b)(3) of Article 28 of the Tax Law provides that a vendor's charge to a retail purchaser for transporting tangible personal property to the purchaser's designated point of delivery is to be excluded from receipts subject to tax when such charge is separately stated in the written contract, if any, and on the bill given to the purchaser. Charges are deemed to be separately stated if they can be computed from information appearing on the bill given to the purchaser (Regulation Section 526.5(g)(3)).

Examples:

- (1) A retailer charges his customer \$6 for transporting merchandise from the retail outlet to the purchaser's residence which is located in a 7% sales tax area. The purchaser should be billed as follows:

Cost of taxable merchandise	\$250.00
Sales tax at 7%	<u>17.50</u>
	\$267.50
Charge for transportation to customer	<u>6.00</u>
Total due	<u>\$273.50</u>

- (2) A retailer charges his customer \$10 for transportation of purchases shipped directly from the manufacturer's warehouse to the purchaser's residence which is located in a 7% sales tax area. The purchaser should be billed as follows:

Cost of taxable merchandise	\$250.00
Sales tax at 7%	<u>17.50</u>
	\$267.50
Charge for transportation to customer	<u>10.00</u>
Total due	<u>\$277.50</u>

Additionally, transportation charges must be reasonable in relation to prevailing rates. The Tax Department may establish reasonable charges for an industry and may reduce the exclusion when such charges are excessive.

Any charge made to a retail purchaser that represents the cost of transportation, whether so labeled or not, from any supplier, manufacturer, warehouse, catalog, or other distribution point to the vendor's place of business constitutes part of the receipt subject to sales tax.

Examples:

- (3) A vendor located in a 7% taxing jurisdiction has \$250 worth of merchandise transported from his warehouse to his retail outlet. He incurs a charge of \$10 for this delivery. To recover this cost, the vendor adds \$10 to the bill he gives to his customer. When the customer picks up the merchandise at the retail outlet, he should be billed as follows:

Cost of taxable merchandise	\$250.00
Charge for transportation to the vendor	<u>10.00</u>
Amount subject to tax	\$260.00
Sales tax at 7%	<u>18.20</u>
Total due	<u><u>\$278.20</u></u>

- (4) Assume the same facts as in example 3, except that instead of being picked up by the customer at the retail outlet, the merchandise is shipped by the vendor to the customer and the customer is billed an additional transportation charge of \$6. The customer should be billed as follows:

Cost of taxable merchandise	\$250.00
Charge for transportation to the vendor	<u>10.00</u>
Amount subject to tax	\$260.00
Sales tax at 7%	<u>18.20</u>
	\$278.20
Charge for transportation to customer	<u>6.00</u>
Total due	<u><u>\$284.20</u></u>

Handling costs are also part of the receipt subject to tax. If transportation, postage, shipping or similar charges that would otherwise be exempt are combined with handling charges in a single amount, the entire charge becomes subject to sales tax.

Example:

- (5) A New York State resident living in a 7% taxing jurisdiction purchases merchandise from a mail order house. The mail order house charges the customer a combined amount for postage and handling. The resident should be billed as follows:

Cost of taxable merchandise	\$260.00
Postage and handling	<u>10.00</u>
Amount subject to tax	\$270.00
Sales tax at 7%	<u>18.90</u>
Total due	<u><u>\$288.90</u></u>