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# FREIGHT, DELIVERY AND TRANSPORTATION CHARGES

The purchase price of goods includes all charges for freight, delivery, shipping and handling and is taxable to the end user at the point title is transferred even if separately stated. Freight terms, if stated, affect where title transfers. Freight-in on inventory generally becomes part of the pricing model of goods and is taxed indirectly.

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## F.O.B. SHIPPING POINT

1. If taxable tangible personal property is sold F.O.B. Shipping Point the purchaser assumes the risks of ownership at the point goods are shipped, and transportation costs do not appear on the seller's invoice, the cost of transportation paid by the purchaser to the carrier is not subject to the tax.

2. If taxable tangible personal property is sold F.O.B. Shipping Point, and the invoice allows a credit for transportation charges paid or to be paid by the purchaser, the tax shall be computed on the total invoice charge before the credit.

## F.O.B. DESTINATION

If taxable tangible personal property is sold F.O.B. Destination the tax is computed on the total charges, even when the seller bills the purchaser separately for the freight charges.

## DELIVERED

If the seller delivers taxable tangible personal property and makes a charge which appears separately on the invoice, and in fact the seller assumes responsibility for loss and damage in transit, the tax shall be computed on the total invoice charges.

## PREPAID/CHARGE BACK

If the seller has prepaid the transportation charges that appear on the seller's invoice as an additional charge,

or a separately invoiced charge is made, the tax shall be computed on the total charges unless the seller was acting as a bona fide agent of the purchaser to effect transportation by the carrier of the purchased goods as in F.O.B. Shipping Point, Prepaid/Charge Back. In this situation the purchaser has assumed the responsibility for loss and damage in transit.

## HANDLING CHARGES

Handling charges billed by the seller to the purchaser of taxable tangible personal property are taxable even if the freight charges are not.

## SALES OR USE TAX

If the seller does not collect the City sales tax on taxable freight, shipping, transportation and handling charges, the purchaser is liable for use tax on them.

## COMPLETE AND ACCURATE DOCUMENTATION

It is important that invoices completely and accurately reflect all information necessary to determine the taxing jurisdiction. This includes delivery address, shipping address and freight terms. If invoices are incomplete, delivery documents should be attached to them to provide this information to avoid the assumption of F.O.B. Destination during audit.

This is a very much simplified overview of the more common freight terms. The subject is far more complex than need be addressed in this format. Additional information may be found on the internet or at a library.