



**Revenue Ruling  
No. 01- 007  
October 10, 2001  
Sales and Use Tax**

**Statement of the Department's Position Regarding the Sales Taxability of  
Charges for Transportation Associated with Sales of Tangible Personal Property**

Transportation, delivery, and freight are frequently charged as separate line items on dealer invoices for the sale of tangible personal property. For that reason, the department often receives inquiries as to whether these charges are properly includible in the measure of the taxable "sales price" or "cost price" on which the sales or use tax is to be collected.

The purpose of this Revenue Ruling is to discuss the taxability of:

- Charges invoiced by sellers for the transportation of tangible personal property from the places of sale to the destinations designated by purchasers, when the transportation is provided by seller vehicles, common carriers, or contract carriers; and
- Charges passed through by sellers to their customers for the overhead expenses that the sellers incur in having tangible personal property transported for the sellers' accounts to the places from where they sell the property.

The sales and use tax statutes that govern this taxation are the definition of the term "cost price" at Louisiana Revised Statute Title 47, Section 301(3)(a), that forms the basis for the imposition of the use tax and the definition of the term "sales price" at La. R.S. 47:301(13)(a), that forms the basis for the imposition of the sales tax.

La. R.S. 47:301(3) defines the term "cost price", in pertinent part, to mean "the actual cost of the article of tangible personal property without any deductions therefrom on account of the cost of materials used, labor, or service cost . . . transportation charges, or any other expenses whatsoever...". La. R.S. 47:301(13)(a) similarly defines "sales price", in pertinent part, to mean "the total amount for which tangible personal property is sold, ... including any services, that are a part of the sale valued in money, whether paid in money or otherwise, and includes the cost of materials used, labor or service costs ...".

**Transportation from Place of Sale to Purchaser's Designated Location**

The state sales or use tax is not collectible on the separately invoiced charge by the seller for the transportation of the tangible personal property that he has sold from the place of sale to the destination designated by the buyer. This position comports with the decisions of the Supreme Court of Louisiana in *Chicago Bridge & Iron Company v. Cocreham*, 317 So.2d 605 (La. 1975) and *Pensacola Construction Company v. McNamara*, 558 So.2d 231 (La. 1990). In the typical scenario, a seller will sell property at his store, warehouse, or loading dock for a stated or agreed "sales price". To the buyer who desires delivery, a charge in addition to the stated or agreed

**A Revenue Ruling is written to provide guidance to the public and to Department of Revenue employees. It is issued under Section 61:III.101(C) of the Louisiana Administrative Code to apply principles of law to a specific set of facts. A Revenue Ruling does not have the force and effect of law and is not binding on the public. It is a statement of the department's position and is binding on the department until superseded or modified by a subsequent change in statute, regulation, declaratory ruling, or court decision.**

“sales price” is made for the transportation of the property from the store, warehouse, or loading dock where the property was sold to the destination designated by that buyer. The actual separately stated charge for transportation from the place of sale, whether by the seller’s own vehicles or by contract or common carrier, is not subject to the sales tax. On transactions where delivery or transportation of tangible personal property is provided, but the price of transportation or delivery is absorbed within the “sales price” or “cost price” of the property and not separately stated, the sales or use tax must be collected and remitted on the entire “sales price” or “cost price” of the property.

Charges by a seller for transportation from the place of sale are excludible, under the conditions explained above, from the taxable “sales price” or “cost price” of the property only if the charges are optional and are avoidable by the buyer through such means as the buyer calling for and picking up the property himself at the place of sale, or by having his own carrier or agent pickup the property at the seller’s location and transporting the property for the buyer’s account. If the seller will not allow the transportation charges to be avoided by these or other means, the transportation charges will be considered as an inseparable component of the taxable “sales price” or “cost price” of the tangible personal property that he sells.

**Transportation to the Place of Sale**

Sellers and purchasers sometimes agree to the sale and purchase of tangible personal property that the sellers do not have in their inventories available for over-the-counter delivery or immediate shipment. Often, in these cases, the retail selling dealer will place a special order with a wholesale supplier, asking that the wholesale supplier ship the ordered merchandise, for the retail seller’s account, either to the retail seller’s location or directly to the retail seller’s customer’s location. In most cases, the retail seller is responsible to the customer for the actions of the wholesale dealer and of any public carrier in providing safe delivery of the tangible personal property to the retail seller’s location or to the customer’s designated place of delivery, and for any damage or losses while the property is in transit. The cost to transport tangible personal property to the place where it is to be sold is an overhead expense of the seller. If the seller chooses to separately state within the price to his customer the amount of expense that the seller incurred in transporting the property to the place of sale, that amount cannot be excluded from the taxable “sales price” or “cost price” of the property to the customer. In such a case, the transportation is a service that is includible within the statutory definitions of both “sales price” and “cost price”, as explained above.

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