



NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER GUIDELINE - SALES TAX: FREIGHT, DELIVERY AND OTHER TRANSPORTATION CHARGES

Effective October 1, 2005, freight, delivery, and other transportation charges, including shipping and handling charges, are always considered to be part of the selling price. If the sale is taxable, freight, delivery, and other transportation charges are taxable. If the product being delivered is exempt from sales tax, then freight, delivery and other transportation charges are also exempt. Delivery charges billed directly to the customer by delivery services that are not making the sale of tangible personal property remain exempt from sales and use tax.

Example:

1. A retailer sells merchandise and hires a delivery service (or common carrier) to delivery the merchandise to the customer. The delivery charges billed to the customer by the retailer are considered to be part of the selling price and subject to sales tax.
2. A retailer sells a computer. The customer independently hires a third-party delivery company to pick up and deliver the computer to the customer's location. The delivery company bills the customer directly for the delivery service. The delivery charges are not subject to sales tax and would not be regarded as part of the sales price.
3. A retailer sells equipment and delivers the equipment to the customer in the retailer's own delivery vehicles. The equipment is taxable, as is the delivery charges. If the customer hires a transportation service of its own choice to pick up the equipment and deliver to the customer, the delivery charge is not taxable.

Freight, delivery and other transportation charges that are not taxable charges include:

- * delivery to locations outside North Dakota unless the customer takes possession of the property in this state prior to delivery out of state;
- * delivery of products that are purchased as items for resale or with a valid exemption;
- * delivery of exempt products, such as prescription drugs;
- * delivery of products purchased under the terms of a direct pay permit. (Taxable delivery charges would instead be included on reports filed by the direct pay holder when reporting taxable purchases and remitting applicable sales and use taxes.)

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