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TRANSPORTATION AND DELIVERY CHARGES

This tax guide is prepared and published for the information of the general public and all persons in business pursuits who would be required to make payment of Sales Tax or Use Tax under provisions of Chapter 25, Article III of the Code of the City of Fort Collins (the "Tax Code"), as well as for the guidance of the City employees whose responsibility it is to collect the taxes imposed by the Tax Code and the enforcement thereof. The following guide is exactly as it says, a GUIDE, and not to be relied upon as an official interpretation of the Tax Code applicable in all circumstances. Instead, specific reference should be made to the Tax Code and related ordinances for what is required in any particular circumstance.

Sales tax applies to all transportation and delivery charges to a customer when a taxable item is sold, leased or rented, and delivery charges are billed by the seller or lessor to the purchaser or lessee. The charges for transportation and delivery, both before and after the sale, are taxable even if stated separately from the sales price of a taxable item. Freight, delivery, and transportation charges are a component of the total purchase price paid to the vendor.

The City of Fort Collins Sales and Use Tax Ordinance Section 25-71 defines "purchase price." The applicable part of this definition is as follows:

"Price or purchase price" includes: Installation, delivery and wheeling-in charges included in the purchase price and not separately stated. Transportation and other charges to effect delivery of tangible personal property to the purchaser.

NON-TAXABLE CHARGES: If the purchaser assumes the risks of ownership at the shipping point and transportation costs are not included on the seller's invoice, the cost of transportation paid by the purchaser to the carrier is not subject to the tax.

TAXABLE CHARGES: If the seller delivers the shipment and a transportation charge is separately stated on the invoice, and if the seller assumes responsibility for loss and damage in transit, the tax should be computed on the total invoice charge, including the transportation charge.

Common terminology: Freight, transportation, delivery, shipping, or postage charges are all included in the taxable amount. Charges by the United States Postal Service are not taxable.

Charges by third party carriers: A third party carrier (separate legal entity, such as Federal Express, United Parcel Service) will not be responsible for collecting or remitting tax as long as the third party carrier only provides transportation and does not sell the taxable items being delivered.

EXAMPLES

1. ABC Sales Company takes telephone and mail orders for exercise videotapes. ABC adds \$3 per order for shipping and handling to the \$35 list price. Even though the \$3 is shown as a separate charge for shipping and handling on the invoice, that amount is part of the purchase price and is taxable.
2. XYZ Corporation is a national manufacturing company that purchases replacement parts from various vendors. After the purchase, XYZ then contacts a freight carrier and arranges for the parts to be picked up from the vendors. At the end of the month, the freight carrier bills XYZ for the charges. These charges from the freight company are not taxable because they are not part of the purchase price of the parts.

CITY OF FORT COLLINS SALES AND USE TAX ORDINANCE

Section 25-71 Definitions.

June 21, 2018