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This Tax Facts is designed to explain when delivery charges are subject to sales and use tax. If this Tax Facts does not answer your specific question, please call the Department's toll-free Helpline at 1-800-829-9188 between 8:00 AM – 5:00 PM CST, Monday through Friday.

Information found in this document rescinds and replaces all previous written information on this subject. All readers and users of this publication are responsible for keeping informed about changes in tax laws and regulations by reading the Department of Revenue newsletters, press releases, Tax Facts, and other documents published by the department.

A retailer's charge for delivery and handling of taxable products is subject to the same state and municipal sales tax as the product when delivered in South Dakota. If the product is not taxable, the delivery and handling charges are not taxable.

Delivery charges are the charges by the retailer for preparation and delivery to a location designated by the purchaser of tangible personal property, products transferred electronically, or services. Delivery charges include transportation, shipping, postage, handling, crating, and packing. Delivery surcharges or fuel charges are considered delivery charges.

If a retailer hires a transportation company and bills the customer for the transportation service, the retailer must include the transportation charges in their taxable receipts.

If both taxable and nontaxable products are in the same shipment, sales tax is due on the portion of the delivery charge for the taxable products. This is determined by using a percentage of the sales price of the taxable products compared to the total sales or weight of the taxable products compared to the total weight of all property in the shipment.

Examples:

1. Jones Furniture sells and delivers a chair to Mr. Smith in Mitchell. Jones Furniture charges \$500 for the chair and \$50 for delivery. 4.5% state sales tax plus 2% Mitchell sales tax applies to the total charge of \$550.
2. A manufacturer sells and delivers products to a retailer in Murdo, SD. The retailer provides the manufacturer with an exemption certificate. Sales tax does not apply to the products or delivery charge because the products purchased are for resale and not subject to sales tax.
3. Jones Furniture sells and delivers the following to Fred's Furniture in Pierre: a sofa for resale for \$1000 and a desk for the owner's office for \$500. The delivery charge is \$100. Fred gave Jones an exemption certificate for the sofa. Taxable shipping is determined by using the ratio of taxable products (\$500) to total sale (\$1500); 33% of the \$100 delivery charge is taxable. Jones charges 4.5% state sales tax plus Pierre municipal sales tax on \$533 (\$500 for the desk plus \$33 delivery).

Separately Invoiced Delivery Charges

Delivery charges for taxable products are subject to sales tax whether the delivery charges are on the same invoice as the product or separately invoiced. Delivery charges separately invoiced need to indicate if the delivery charges were for a taxable or exempt sale. If no documentation is kept to support an exempt sale, the delivery charge is subject to state and city tax based on where the delivery is made.

Insurance

If the retailer insures a package and bills the customer for the insurance, the insurance charge is part of the gross receipts subject to sales tax.

Postage

The retailer's charge to the customer for postage used to deliver a product through the U.S. mail is part of the delivery charge subject to sales tax. The retailer does not owe sales or use tax on their purchase of postage from the U.S. Post Office.

Transportation Company

A transportation company's charge to deliver products is not subject to sales tax. A transportation company does not own the products they are transporting. They transport products owned or sold by their customer. The retailer will owe sales tax on the charge to the customer for taxable products, including delivery.

Mailing Service

A mailing service does not include postage in their gross receipts, provided the postage is listed as a separate line item on customer's bill and the cost of the postage is no greater than the cost of the postage to the mailing service. A mailing service is defined in law as a business that uses the US Postal Service to deliver items for another customer of the mailing service, in which the mailing service has no financial interest.

Use Tax

Purchasers of taxable products are responsible for remitting use tax on their purchase price of the products including delivery charges, if sales tax was not paid to the supplier.

Talk to Us!

If you have a tax problem or question, call the South Dakota Department of Revenue toll-free at **1-800-829-9188**. Visit us on the web at <http://dor.sd.gov/>, email us at bustax@state.sd.us or write us:

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