



Freight and Transportation Charges

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Wyoming Department of Revenue

In order to understand how tax applies to freight, it is necessary to understand how the Department views freight. Freight may be termed “freight,” “delivery charge,” “shipping,” “shipping and handling,” or any other term to mean the transportation of tangible personal property from one location to another. Wyoming recognizes two kinds of freight, inbound freight and outbound freight.

Inbound freight

Inbound freight is the freight associated with a wholesale sale and represents the cost a vendor incurs in order to get a product on their shelf for sale. In most cases inbound freight is combined with other costs incurred by the seller, such as overhead and markup, in determining the retail price a product or service is then resold for. For example, a retailer may purchase ten bottles of shampoo for \$1.00 per bottle, incur \$2 dollars shipping (or \$0.20 shipping per bottle) and calculate overhead and markup of \$0.50 per bottle. The retailer would then charge \$1.70 for the shampoo. When it is presented this way, generally no one gives inbound freight second thought. The licensed vendor (i.e. the retailer) does not pay sales tax on his wholesale invoice and the customer knows that the freight charge becomes a component of the cost of goods sold.

The confusion tends to arise when the inbound freight charge is not embedded into an overall cost as it was presented in the shampoo example above. Familiar examples may include the ‘dealer delivery’ charge

placed on a bill of sale by some automotive dealerships that represents the costs incurred by the dealership to transport the vehicle from the factory/port of origin to their lot or the costs for expedited freight that a vendor passes on to their customer on a special order purchase. There is no requirement in statute or by Departmental rule that requires inbound freight to be absorbed into the overall “shelf” price of an item; but that does not mean that this itemized freight is not subject to tax. The itemized charge still represents a cost to the seller in order to get the product in their hands and available for sale. As such it still represents a cost of goods sold and is a component of the sales price of the product when it is purchased at retail.

Outbound freight

In contrast, outbound freight is the freight associated with a retail sale and represents the cost a consumer incurs in order to get a product from the vendor to the delivery place of their choosing. Generally this freight is itemized by the seller on his invoice to the consumer and is dependent on the actual costs incurred (with or without markup) to transport the item to the delivery location. Both intrastate (in-state) and interstate (state-to-state) outbound freight is exempt from Wyoming sales tax provided it is separately stated and distinguishable from any taxable charges that may appear on the same invoice. To illustrate using the shampoo example above, presume the consumer purchases a bottle and requests it to be delivered to their hotel room, paying

\$0.25 extra for delivery. If the vendor presents the invoice to the consumer as \$1.70 for the shampoo and \$0.25 for a separately stated delivery fee then only the \$1.70 is subject to Wyoming sales tax. But if the vendor presents it as \$1.95 for shampoo delivered then the full \$1.95 is subject to Wyoming sales tax.

Another source of confusion as it relates to freight charges is when multiple freight charges appear on an invoice. This frequently occurs when a vendor uses expedited freight to obtain possession of a special order and invoices the customer for the inbound freight, but then also delivers the purchase to the consumer's location, charging outbound freight as well. It may not seem correct to tax one of the two freight charges but, in fact, it is correct. The expedited freight charge that appears on the consumer's invoice is inbound freight and is a component of the cost of goods sold, as explained above; and the second freight charge, for outbound freight to the consumer, is exempt from Wyoming sales tax. Again note, if the freight charges are comingled then the combined charge is subject to Wyoming sales tax. It is not sufficient that these charges may be broken down internally; they must be evident on the bill of sale, invoice, or similar document exchanged between the parties and to an auditor in the event of an audit.

Please be advised that this bulletin addresses issues in general terms and cannot be appropriate or applicable in all situations. If your situation is markedly different or you have concerns about this issue, please do not hesitate to contact this department. You can do so by e-mail directed to:

DOR_taxability@wyo.gov

Supporting Authority:

W.S. 39-15-101(a)(vi)

"Retail sale" means any sale, lease or rental for any purpose other than for resale, sublease or subrent;

W.S. 39-15-101(a)(viii)

"Sales price":

(A) Shall apply to the measure subject to sales tax and means the total amount or consideration, including cash, credit, property and services for which personal property or services are sold, leased or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

(I) The seller's cost of property sold;

(II) The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller and any other expense of the seller;

(III) Charges by the seller for any services necessary to complete the sale other than delivery and installation charges;

(IV) Delivery charges;

(V) Installation charges;

(VI) Repealed by Laws 2007, Ch. 10, 2.

(B) Shall not include:

(I) Discounts, including cash, terms or coupons which are not reimbursed by a third party, which are allowed by a seller and taken

(II) Interest, financing and carrying charges from credit extended on the sale of personal property or services, if the amount is separate stated on the invoice, bill of

sale or similar document given to the purchaser; and
(III) Any tax legally imposed directly on the consumer which is separately stated on the invoice, bill of sale or similar document given to the purchaser.

(C) "Sales price" shall include consideration received by the seller from third parties if:

(I) The seller actually receives consideration from a party other than the purchaser and the consideration is directly related to the price reduction or discount on the sale;

(II) The seller has an obligation to pass the price reduction or discount through to the purchaser;

(III) The amount of the consideration attributable to the sale is fixed and determinable by the seller at the time of the sale of the item to the purchaser; and

(IV) One (1) of the following criteria is met: by a purchaser on a sale;

(1) The purchaser presents a coupon, certificate or other documentation to the seller to claim a price reduction or discount where the coupon certificate or documentation is authorized, distributed or granted by a third party with the understanding that the third party will reimburse any seller

to whom the coupon, certificate or documentation is presented;

(2) The purchaser identifies himself to the seller as a member of a group or organization entitled to a price reduction or discount. A preferred customer card that is available to any patron shall not constitute membership in such a group; or

(3) The price reduction or discount is identified as a third party price reduction or discount on the invoice received by the purchaser or on a coupon, certificate or other documentation presented by the purchaser.

W.S. 39-15-101(a)(xvi)

"Wholesale sale" means a sale of tangible personal property or services to a vendor for subsequent sale;

W.S. 39-15-101(a)(xvii)

"Delivery charge" means a charge by the seller for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, handling, postage, crating and packing;

W.S. 39-15-105(a)(ii)(A)

For the purpose of exempting sales of services and tangible personal property protected by federal law, the following are

exempt: Interstate transportation of freight or passengers;

W.S. 39-15-105(a)(viii)(A)

For the purpose of exempting sales of services and tangible personal property as an economic incentive, the following are exempt: Intrastate transportation of:

- (I) Employees to or from work when paid or contracted for by the employee or employer;
- (II) Freight and property including oil and gas by pipeline.

WY Dept. of Rev Rules Chap 2, Sec 5(i)

Transportation/Freight Charges.

Transportation or freight charges are not taxable and shall not be included within the sales price of any retail sale. Transportation or freight charges in a wholesale transaction are a component of cost of goods sold, like markup and overhead, and become part of the sales price paid by the consumer. The exemption available to the wholesaler in the wholesale transaction cannot be passed through to the consumer in a retail transaction.

WY Dept. of Rev Rules, Chap 2, Sec 7(a)

General. Non-taxable transactions, including sales made for resale, shall be shown separately from taxable charges on sales invoices. The entire invoice amount shall be subject to the sales/use tax if the nontaxable or exempt charges are not separately shown and distinguishable from taxable charges.