

**What's New**

We made general updates to this fact sheet.

**Delivery Charges**

Delivery charges are charges by the seller to prepare and deliver personal property or services to a location.

If the item being sold is taxable, charges by the seller to deliver it are also taxable. Delivery charges are part of the sales price of the item, even if separately stated.

Examples include:

- crating
- handling
- packing
- postage
- shipping
- transportation

Delivery services furnished and billed by a third party are not taxable except when delivering aggregate materials or concrete block. See page 3.

**Transportation, Shipping Charges, and Postage Fees**

Transportation, shipping charges, and postage fees billed by the seller are part of the sales price of the taxable item. This includes both incoming and outgoing freight or delivery charges and fuel surcharges.

**Handling Charges**

Handling charges are a way for a seller to recover costs that occur when getting a product ready to be shipped. These charges are part of the sales price of the taxable item and are taxable.

These activities include:

- Retrieving the item from storage
- Checking the product before shipment
- Cleaning a product
- Crating the product
- Packing the product

**Delivery Charges for Nontaxable Items**

Delivery charges for nontaxable items are not taxable. Examples of nontaxable include:

- food, clothing, and prescription drugs for humans
- items purchased with a completed Form ST3, Certificate of Exemption
- items shipped to customers outside Minnesota

**Capital Equipment**

Capital equipment may have delivery charges. If an item qualifies for the capital equipment exemption, the delivery charges also qualify for exemption.

The capital equipment exemption is allowed at the time of purchase. To purchase exempt, the purchaser must give the seller a completed Form ST3, *Certificate of Exemption*. For more information, see the Capital Equipment Fact Sheet.

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## Direct Mail Delivery Charges

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Delivery charges for directly mailing printed materials are exempt if all the following are met:

- the charges are separately stated
- the delivery or distribution is to a mass audience or to addresses on a mailing list provided by the customer
- the cost of the materials is not billed directly to the recipients

For more information, see the Direct Mail and Fulfillment Services Fact Sheet.

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## Delivery Charge Examples

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1. A furniture store sells a sofa and delivers it to the customer in Minnesota. Because the sofa is taxable, the delivery charge is also taxable.
2. An office supply store sells paper to a school and charges separately for delivery. The school gives the store a completed exemption certificate. Because the paper is not taxable to the customer, the delivery charge is also not taxable.
3. A pizzeria delivers a pizza and charges a delivery fee. The charge for the pizza and the delivery fee are taxable.
4. A business buys a piece of equipment. The business hires a trucking company to pick up and deliver the equipment. The trucking company bills the business directly. The equipment is taxable, but the delivery fees by the trucking company are not, because they are not part of the sales price.
5. A contractor buys ready-mixed concrete sold from a ready-mixed concrete truck to be delivered to a construction site. All transportation, delivery, and other service charges are part of the sales price and are taxable.
6. A contractor buys building materials for use in a construction contract. The supplier delivers the materials to a job site in Minnesota. The charge for delivery is taxable.
7. A grocery store sells and delivers groceries to a customer. The groceries contain nontaxable and taxable items. Since there is one delivery charge for both taxable and nontaxable items, the delivery charge is taxable unless the seller allocates the delivery charge. See allocated delivery charges below.

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## Allocated Delivery Charges

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If the delivery charge is one lump sum for both taxable and nontaxable items, the seller should **allocate** the delivery by using one of following methods:

- A percentage based on the total sales price of the taxable items divided by the total sales price of all items in the shipment.
- A percentage based on the total weight of the taxable items divided by the total weight of all items in the shipment.

The seller must tax the percentage of the delivery charge allocated to the taxable items, but does not have to tax the percentage allocated to the nontaxable items.

**Note:** When there are separate delivery charges for both taxable and nontaxable items, only the delivery charge for taxable items is taxable.

### Allocation Method #1

Divide the amount charged for the taxable goods by the amount charged for all of the goods being shipped, then multiply

the resulting number by the total delivery charge.

**Example**

- A delivery of goods that cost \$400 contains \$300 worth of taxable goods and \$100 worth of nontaxable goods. The delivery charge is \$30. To determine the taxable percentage of the delivery charge, divide \$300 by \$400, for a result of 75%. 75% of the delivery charge is taxable.

**Allocation Method #2**

Divide the weight of the taxable goods by the total weight of the shipment, then multiply the resulting number by the total delivery charge.

**Example**

- The invoice states the delivery consists of 3 pounds of taxable goods and 9 pounds of nontaxable goods. Divide 3 pounds by 12 pounds, for a result of 25%. 25% of the shipping charge is taxable. Using method #2 is optional; the seller may use method #1 even if weights are listed on the invoice.

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**Aggregate Materials and Concrete Block Delivery Charges**

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Delivery (hauling) of aggregate materials and concrete block is generally taxable, whether provided by the seller of the aggregate or concrete block or by a third party hauler.

Charges for delivery of aggregate are taxable if the aggregate is taxable. Sales tax applies to the delivery charges regardless of whether the aggregate will be used in making an improvement to realty and regardless of how deposited at the delivery site.

Charges to move customer-owned aggregate or concrete block from one location to another are not taxable since there is no sale of aggregate or concrete block.

**Third Party Hauler**

Third party hauler means the hauler must be hired by the purchaser of the aggregate or concrete block to pick up the items from the seller and deliver them to a location designated by the purchaser.

**Road Construction Third-Party Hauling**

Charges for delivery of aggregate by third party haulers are exempt if the aggregate will be used in road construction.

The exemption for delivery charges for aggregate material used in road construction does not apply to charges for delivery of aggregate by the seller or to charges for delivery of concrete block.

Road construction includes the establishment, improvement, and maintenance of roads together with all bridges or other structures thereon which form part of the road. This includes construction of public roads, cartways, and private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign. A cartway is a strip of land two rods wide that provides access to a property owner over land owned by someone else or to a public road. (Minnesota Statute 297A.61, subd. 3)

**Other Third-Party Hauling**

Charges for the delivery of aggregate by third party haulers for uses other than road construction are taxable even if the hauler is required to spread and level the aggregate material for the purchaser.

**Claiming Exemption**

The delivery charge for aggregate material and concrete block is exempt as long as the purchaser provides a completed Form ST3, *Certificate of Exemption*, indicating one of the following:

- the product being delivered is exempt for use in industrial production
- the product being delivered is exempt because it will be resold at retail
- the sale is to an exempt entity

- the sale is aggregate material delivered by a third party hauler to be used in road construction

Charges to deliver aggregate material and concrete block outside of Minnesota are not taxable.

### Examples

These examples show how sales and use tax applies to delivery charges for aggregate material and concrete block.

1. A construction company buys aggregate material to construct a parking lot. The construction company hires a third party hauler to pick up the aggregate at the seller's pit and to deliver it to the construction site. The charge by the third party hauler for pickup and delivery of the aggregate is taxable. The delivery charge by the third party hauler is taxable even if the hauler is required to spread or level the aggregate material on the parking lot for the purchaser.
2. A construction company buys aggregate material to build a town road. The construction company hires a third party hauler to pick up the aggregate at the seller's pit and deliver it to the construction company for later use. The construction company provides the third party hauler with a completed exemption certificate for the purchase of the aggregate. The charge by the third party hauler is not taxable because the aggregate is used for road construction.
3. A contractor hires a hauler to transport aggregate from the contractor's pit to the construction site. There is no sale of aggregate and the hauling charge is not taxable.
4. A construction company buys aggregate material to construct a road. The aggregate seller delivers the aggregate material in their own trucks to the construction site. The exemption for delivery charges for aggregate used in road construction only applies to third party hauler delivery charges. The charges for the aggregate material and delivery charge are taxable.
5. An aggregate seller enters into a contract to improve real property. This may be a contract to build a road, a parking lot, or any other improvement to real property. The contract states that the seller provides aggregate which they haul to the construction site in their own vehicles and spread and level the aggregate so that no further leveling or movement is required.

This is a contract to improve real property. The charges to the purchaser are not taxable. The aggregate seller is must pay sales or use tax on their cost of any taxable products or services used to complete the contract.

6. A retailer sells and delivers concrete block to a customer. The delivery charges are taxable, whether delivered by the seller or a third party, since the sale of the concrete block is taxable.

For more information, see:

- Revenue Notice 02-12, Taxable Delivery Charges – Aggregate Materials
- Revenue Notice 02-17, Taxable Sales – Delivery of Aggregate Materials and Concrete Block
- Contractors and Other Property Installers Industry Guide

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### Freight Companies, Messenger, or Delivery Services

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Typically, freight companies, messenger, or delivery services are not required to collect sales tax on their delivery charges.

Delivery charges are taxable when billed by the seller as part of the sales price of a taxable item. The only exception to this is when the product being delivered is aggregate material or concrete block, as described above.

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### Pick-Up Charges

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Charges for services necessary to complete a sale are taxable as part of the sales or lease price.

If a seller is required as part of a lease contract, to pick-up the leased item at the end of the rental or lease period, the pick-up charges are taxable, whether separately stated or invoiced at a later date.

**Legal References**

Minnesota Statute 297A.61

subd. 3(g)(5), Delivery of aggregate materials or concrete block

subd. 7, Sales price

subd. 30, Delivery charges

Minnesota Statute 297A.68, subd. 36, Delivery or distribution charges, printed materials

**Revenue Notices**

99-16, Sales Tax Exemption for Towns

02-12, Taxable Delivery Charges – Aggregate Materials

02-17, Taxable Sales – Delivery of Aggregate Materials and Concrete Block (modified 6/08)

**Other Fact Sheets**

Capital Equipment

Direct Mail and Fulfillment Services

Local Sales and Use Taxes

Sales to Governments

Use Tax for Businesses

Use Tax for Individuals

**Industry Guides**

Contractors and Other Property Installers

Government – Local Governments