OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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June 27, 2000

Re: Our File Number LR-00-117; Taxability of shipping and handling charges

Dear

This is in response to your inquiry regarding the taxability of shipping and handling charges.

The issue of whether shipping and handling charges are subject to sales tax has been addressed on a number of occasions either from the main office of or by its independent distributors in Oklahoma. Each requestor either sent a sample invoice or provided an explanation that the shipping and handling charges were separately stated on the invoice for the sales made by them. Our ruling was based on the information that was submitted and Oklahoma Tax Commission Rule 710:65-19-70 and it was determined that since the shipping and handling charges are separately stated on the invoice, the charge falls within category (b) of the above Commission rule and is not subject to tax.

Further, it is my understanding that, is a national direct selling company i.e., multilevel company, which ships its merchandise from directly to the hostess of the party i.e. consultant or distributor, who distributes the products to their customers. Multi-level sales are governed by Commission Rule 710:65-19-214. Subsection (c) of that same rule states that "shipping and handling charges that result from the shipment of multi-level sales merchandise to the distributor or the distributor's customers are not subject to sales tax, if separately stated".

Therefore, since the shipping and handling charges are separately stated from the cost of the merchandise, the charges are not subject to sales tax.

Copies of the statutory references and Commission rules are enclosed for your information. If I can be of further assistance, please contact me.

Sincerely,

Brenda J. Sullivan
Tax Policy Analyst

Enclosure

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