Shipping and Delivery Charges

California sales tax may apply to charges for delivery, shipping, and handling. The following chart gives examples of common shipping situations and charges and explains how sales tax applies in each.

Condition of sale or type of delivery charge	Notes and exceptions
Sale is not a taxable transaction	Related charges are not taxable
Sale is a taxable transaction	Delivery-related charges may be nontaxable, partially taxable, or fully taxable. See rest of table
Delivery — related charge is not taxable when:	
 All of these conditions must apply: You ship directly to the purchaser by common carrier, contract carrier, or U.S. Mail; Your invoice clearly lists delivery, shipping, freight, or postage as a separate charge; and The charge is not greater than your actual cost for delivery to customer 	 Exception: Charge is taxable if you do not maintain records that show the actual cost of the delivery. If the tax amount calculated for the sale was based on the cost of the item plus the nontaxable delivery charge, you must refund the tax amount collected on the delivery or pay that amount to the BOE. See sections that discuss "handling" charges
Delivery — related charge is partially taxable when (for ta	axable sales only):
Delivery meets conditions in box above, except: your charge to the customer for delivery is greater than your actual shipping cost	The portion of the delivery charge that is greater than the actual delivery cost is taxable. Please note: Your records must show your actual cost of delivery. The delivery charge should be separately stated on the invoice
You make one combined charge for "shipping and handling" or "postage and handling"	Handling portion of charge is taxable; shipping portion may be taxable — see other criteria in this table
Delivery — related charge is taxable when (for taxable sa	les only):
You do not keep records that show the actual cost of the delivery	Many businesses charge standard amounts for shipping and do not track the cost of individual deliveries
You deliver merchandise with your own vehicles	Exception: May not be taxable if title to merchandise transfers to buyer before delivery. This is unusual — contact the BOE
You make a separately stated charge for fuel surcharge or "handling," etc.	Separately stated charges, in addition to the actual shipping charges, are generally taxable. See above section on one charge for "shipping and handling"
You include a delivery charge in the unit price of the item sold	Sample invoice entry: "\$6.50 per bale, including delivery"
Your charge to your customer represents the cost of shipping the merchandise to your place of business ("freight-in")	"Freight-in" is different from "freight-out." If you bill your customer for freight-in, the charge is taxable. Freight-out shipping may be taxable. See other criteria in this table
You make a sale for a delivered price (sales agreement specifies that delivery is included in price, whether delivery charge is listed separately, included in per-item cost, or listed as "freight prepaid")	Exception: Delivery charges may not be taxable if title to merchandise transfers to buyer before delivery. This is unusual — contact the BOE for information