
FREIGHT, DELIVERY AND TRANSPORTATION

The *Arvada Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property sold at retail in the City. To the extent a sufficient, legally-imposed sales/use tax was not paid to the City or another municipality at the time of purchase, Arvada use tax is due. The taxable purchase price is defined, in part, as the amount of money received or due in cash and credit inclusive of charges for freight, delivery, and transportation. These charges are subject to tax even when separately stated on the purchase invoice.

TAXABLE TRANSPORTATION CHARGES

Transportation charges paid to a retailer to acquire taxable tangible personal property are subject to Arvada sales and use tax when the ***sale of the tangible personal property is a taxable transaction***. Freight, delivery, and transportation charges are a component of the total purchase price paid to the retailer.

Transportation charges that are taxable include but are not limited to:

- Shipping, Shipping & Handling, Delivery, Pick-Up, Freight, Fuel Charges, Courier, Freight-In, Freight- Out.

NON-TAXABLE TRANSPORTATION CHARGES

Transportation charges paid to a vendor to acquire taxable tangible personal property are **not** subject to Arvada sales and use tax when the ***sale of the tangible personal property is not a taxable transaction*** (*example - resales / exempt*).

Transportation charges that are not subject to sales/use tax included, but not limited to:

- Transportation via a third party, when arranged and paid for directly by the purchaser who thereby assumes the risk of loss, and not billed as part of the transaction by the retailer, is not subject to Arvada sales/use tax.
- Stand-alone transportation is a service upon which the *Arvada Municipal Code* does not impose sales or use tax.
- Charges representing the actual cost of postage purchased from the U.S. Postal Service are exempt from tax, if separately stated.

EXAMPLES

1. ABC Sales Company takes telephone and mail orders for exercise videotapes. ABC adds \$3 per order for shipping and handling to the \$35 list price. Even though the \$3 is shown as a separate charge for shipping and handling on the invoice, that amount is part of the purchase price and is taxable.
2. XYZ Corporation is a national manufacturing company, which purchases replacement parts from various vendors. After the purchase, XYZ then contacts a freight carrier and arranges for the parts to be picked up from the vendors. At the end of the month, the freight carrier bills XYZ for the charges. These charges from the freight company are not taxable because they are not part of the purchase price of the parts.

ARVADA MUNICIPAL CODE – Chapter 98 – Taxation

Sec. 98-61. Definitions.

Freight and delivery means the price paid or charges for freight and delivery services including:

- (1) *Freight-in paid by a retailer to obtain tangible personal property before resale which is passed on to the purchaser in the price of the property or through a separate invoice;*
- (2) *Charges to the purchaser for delivery where the vendor transports the property being sold or leased;*
- (3) *Freight and delivery charges included in the price of the property being delivered; but not including charges for US Postal Service;*
- (4) *Delivery charges include both delivery and pick up of an item.*

Price or purchase price means the price to the consumer, exclusive of any direct tax imposed by the federal government or by this article, and, in the case of all retail sales involving the exchange of property, also exclusive of the fair market value of the property exchanged at the same time and place of the exchange, if such exchanged property is:

"Price" or "purchase price" includes:

- (6) *Transportation and other charges to effect delivery of tangible personal property to the purchaser.*

Sec. 98-66. Property and service taxed.

There is hereby levied and there shall be collected and paid a tax in the amount stated in section 98-76 as follows:

- (1) *On all sales and services taxable, including, but not limited to the following:*
 - i. On freight and delivery charges (as defined in section 98-61).*

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT ARVADA TAX LAW FOR THIS SUBJECT, INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE ARVADA MUNICIPAL CODE. HOWEVER, THE TAX GUIDE SHALL BE USED IN CONJUNCTION WITH THE ARVADA MUNICIPAL CODE (CHAPTER 98) IN DETERMINING TAX LIABILITY.