

## Nebraska Sales and Use Tax Guide on Delivery Charges

### Overview

Delivery charges are **taxable** when **both**:

1. The purchaser's transaction with the retailer is taxable; **and**
2. The purchaser pays the delivery charge to the retailer.

Delivery charges are sales tax exempt when:

1. The purchaser's transaction with the retailer is exempt;
2. The purchaser contracts with and pays the freight company or U.S. Post Office separately for the delivery services; or
3. Beginning April 1, 2014, the retailer separately states charges for U.S. postage for the delivery of direct mail.

Delivery charges paid to the retailer in conjunction with a sales transaction are part of the retailer's gross receipts for the sale.

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### Terms

**Delivery Charges.** Delivery charges mean charges by the retailer for the preparation and delivery of personal property or services to a location designated by the purchaser, but does not include U.S. postage charges on direct mail that are separately stated on the invoice, bill of sale, or similar document given to the purchaser. Delivery charges include:

- ❖ Freight, transportation, fuel surcharges, shipping, and postage; and
- ❖ Handling, crating, and packing.

**Direct Mail.** Direct mail means printed material delivered or distributed by U.S. mail or other delivery service to a mass audience, to addresses on a mailing list provided by the purchaser, or at the direction of the purchaser when the cost of the items are not billed directly to the recipients. Direct mail includes items supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in a package containing printed material.

**Sales Price.** Sales price means the total amount of the sale without deduction for any of the following:

- ❖ The retailer's cost of the property;
- ❖ The retailer's cost of materials used, labor or services, interest, cost of transportation to the retailer, taxes imposed on the retailer, and other expenses of the retailer;
- ❖ Charges by the retailer for services necessary to complete the sale;
- ❖ Delivery charges, except for U.S. postage charges on direct mail that are separately stated on the invoice, bill of sale, or similar document given to the purchaser; and
- ❖ Installation charges.

## Taxable Delivery Charges

**Example 1.** Your customer purchases a refrigerator from your appliance store and pays you to deliver the refrigerator to her home in a city where the combined state and local sales tax rate is 7%.

Sample Invoice:	Refrigerator	\$1,500
	Delivery Charge	+ 100
	Subtotal	1,600
	Sales Tax (7%)	+ 112
	<b>Total Due</b>	<b>\$1,712</b>

**Example 2.** You purchase a camera from an out-of-state retailer and pay the retailer to mail the camera to your home in a city where the combined state and local sales tax rate is 7%.

Sample Invoice:	Camera	\$3,000
	Postage Charge	+ 100
	<b>Total Paid to Retailer</b>	<b>\$3,100</b>

Because this out-of-state retailer is not required to collect Nebraska or local sales tax on the camera or the postage charge, you owe use tax on the total amount of \$3,100. You will remit the use tax of \$217 ( $\$3,100 \times 7\%$ ) directly to the Department. Use tax is reported on [Nebraska and Local Business Use Tax Return, Form 2](#); [Nebraska and Local Individual Use Tax Return, Form 3](#); or on line 37 of the [Nebraska Individual Income Tax Return, Form 1040N](#). Additional information about use tax can be found in the [Nebraska Use Tax Information Guide](#) on the Department's website.

**Delivery Charges on Services or Labor Charges.** Delivery charges imposed on services or labor charges are taxable if the service or labor charge is taxable.

If the service or the labor charge is not taxable, the delivery charge is also not taxable. If the service or the labor charge is taxable, the delivery charge is taxable.

**Example 3.** You hire a cleaning company to clean an office building in a city where the combined state and local sales tax rate is 7%. Building cleaning services are taxable.

Sample Invoice:	Building Cleaning	
	5 hours @ \$50/hour	\$250
	Mileage	+ 50
	Subtotal	\$300
	Sales Tax (7%)	+ 21
	<b>Total Due</b>	<b>\$321</b>

## Tax Exempt Delivery Charges

**Example 4.** A church purchases a refrigerator from your appliance store and pays you to deliver the refrigerator to the church in a city where the combined state and local sales tax rate is 7%.

Sample Invoice:	Refrigerator	\$1,500
	Delivery Charge	+ 100
	<b>Total Due</b>	<b>\$1,600</b>

The church has previously applied for and received a Nebraska sales tax exemption. Therefore, the church is exempt from sales tax and no portion of the invoice is taxable. You must obtain a [Nebraska Resale or Exempt Sale Certificate, Form 13](#), Section B, from the church to document why no sales tax was collected.

**Example 5.** You own an auto mechanic shop and you order auto repair parts from a retailer and pay the retailer to deliver the parts to your shop in a city where the combined state and local sales tax rate is 7%.

Sample Invoice:	Auto Repair Parts	\$5,000
	Delivery Charge	+ 100
	<b>Total Due</b>	<b>\$5,100</b>

You may purchase the auto repair parts tax exempt for resale purposes, so no portion of the invoice is subject to sales tax. You must give the retailer a [Form 13](#), Section A, to support why sales tax was not collected.

**Example 6.** You own a bank and order new office furniture. You hire a trucking company to pick up the furniture and deliver it across town to your location in a city where the combined state and local sales tax rate is 6.5%. The trucking company bills you directly.

You owe sales tax on the amount paid for the furniture. You **do not** owe sales tax on the delivery charge because you arranged for and paid the delivery charge directly to the trucking company.

Sample Invoices:

Office Supply Store	Furniture	\$600	Trucking Company	Delivery	\$50
	Sales Tax (6.5%)	+ 39		<b>Total Due</b>	<b>\$50</b>
	<b>Total Due</b>	<b>\$639</b>			

**Example 7.** A business orders newsletters from a printer which will be mailed by the printer to the business's current customer listing. The newsletters are classified as "direct mail" and are all delivered within a city where the combined state and local sales tax rate is 6.5%.

Sample Invoice:	Newsletters	\$1,000 (Taxable)
	U.S. Postage	+ 200 (Exempt)
	Subtotal	\$1,200
	Sales Tax	+ 65 (6.5% on \$1000)
	<b>Total Due</b>	<b>\$1,265</b>

**Delivery Charges on Services.** When delivery charges are imposed on various services, the delivery charges are treated the same way the service or labor charge is taxed.

If the service or the labor charge is not taxable, the delivery charge is also not taxable. If the service or the labor charge is taxable, the delivery charge is taxable.

**Example 8.** A customer hires a lawn care company to mow the lawn at a residential or business location in a city where the combined state and local sales tax rate is 7%. Lawn mowing services are not taxable.

Sample Invoice:	Mowing	
	5 hours @ \$50/hour	\$250
	Mileage	+ 50
	<b>Total Due</b>	<b>\$300</b>

## Allocating a Single Delivery Charge

When a retailer charges a delivery charge on one invoice that covers **both** a taxable transaction (for example, auto mechanic's purchase of tools) and an exempt transaction (for example, auto mechanic's purchase of auto repair parts for resale), the retailer must separately state the portion of the delivery charge that applies to the taxable transaction and the portion that applies to the exempt transaction. If not separately stated, the entire delivery charge is taxable. Sales tax would be calculated as follows when the tools and repair parts are delivered to a repair shop in a city where the combined state and local sales tax rate is 7%. Since the retailer separates the delivery charge between the taxable and exempt portions of the billing, sales tax is due only on the delivery charge associated with the tools.

Sample Invoice:	Repair Parts	\$200.00 (Exempt)
	Tools	100.00 (Taxable)
	Delivery - Parts	20.00 (Exempt)
	Delivery - Tools	<u>+ 10.00</u> (Taxable)
	Subtotal	\$330.00
	Sales Tax (7%)	<u>+ 7.70</u> (7% on \$110)
	<b>Total Due</b>	<b>\$337.70</b>

The retailer may separate the delivery charges based on either:

- ❖ The sales price of the taxable property compared to the sales price of all the property in the transaction; or
- ❖ The weight of the taxable property compared to the weight of all the property in the transaction.

## Postage

Except for separately stated charges for U.S. postage on direct mail, charges for postage paid directly to the retailer are considered delivery charges and are taxable if the underlying sales transaction is taxable.

Purchases of postage directly from the post office are not taxable.

## Resource List

Information Guide:

- ❖ [Nebraska Use Tax Information Guide](#)

Nebraska Sales and Use Tax Regulations:

- ❖ [Reg-1-026.02, Finance, Carrying, Service, and Interest Charges](#)
- ❖ [Reg-1-079, Delivery Charges](#)
- ❖ [Reg-1-105, Direct Mail](#)

Statutes:

- ❖ [Neb. Rev. Stat. § 77-2701.11 Delivery charges defined](#)
- ❖ [Neb. Rev. Stat. § 77-2701.35 Sales Price defined](#)

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