

# City and County of Denver, Colorado

## TAX GUIDE

### *Topic No. 34*

# TRANSPORTATION CHARGES

#### Taxable Transportation Charges

Denver sales and use taxes are imposed on the total purchase price of taxable tangible personal property, products, and services. The Denver Revised Municipal Code (DRMC) defines "purchase price" as the total amount paid, including "transportation and other charges to effect delivery of tangible personal property to the purchaser." See DRMC Sections 53-53(21) and 53-103(23). As a general rule, if the purchaser pays the vendor of the taxable tangible personal property, products, or services to (1) deliver the item(s) or (2) to arrange for a third party to deliver the item(s), the transportation charge is subject to Denver's tax.

#### Non-Taxable Transportation Charges

If the purchaser of the taxable tangible personal property, products, or services pays a third party (someone other than the vendor of the item(s)) to deliver the item(s), the transportation charge is not subject to Denver's tax.

#### **Definitions**

**The following definitions are intended to aid in understanding the subject matter. They are in simple and straightforward language. They are not binding on the Manager of Finance, nor do they replace, alter, or supplant the definitions in Chapter 53 of the DRMC.**

1. "Third party" means someone other than the vendor of the taxable tangible personal property, products, or services.
2. "Transportation" means the action of transporting or delivering something.
3. "Transportation charge" means the amount charged to transport or deliver something. This term includes carrying, delivery, freight, handling, pickup, shipping, and other similar charges or fees.

#### EXAMPLES

1. ABC Sales Company takes telephone and on-line orders for exercise videos. ABC adds \$3 per order for shipping and handling to the \$35 list price. The \$3 charge for shipping and handling is part of the purchase price and is subject to Denver's tax.
2. Frank's Odds and Ends sells materials from its shop in Denver, however it does not directly ship or deliver the materials for its customers. Instead, it provides recommendations to its customers on various transporters and estimated costs its customers may need. The customer decides to hire a transportation company instead of picking up the materials itself. The customer arranges and pays Joe's Transport to deliver the materials to his/her home. Because the fee of the transportation is paid separately to Joe's Transport and not arranged or charged by Frank's Odds and Ends it is not subject to tax.

3. 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 subject to Denver's tax.

- \* DRMC Section 53-53(14) Definitions – Gross Sales
- \* DRMC Section 53-53(21) Definitions – Purchase Price
- \* DRMC Section 53-55(9) Exemptions.
- \* DRMC Section 53-103(15) Definitions – Gross Sales
- \* DRMC Section 53-103(23) Definitions – Purchase Price.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.

Revised 01/2021