

Sales Tax on Transportation



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Sales Tax on Transportation Charges

- Transportation charges (delivery, freight, shipping) are subject to sales tax when included with a taxable sale of tangible personal property or digital products.
 - The statutory definitions of “sales price” and “cost price” both include “transportation charges” as of January 1, 2025.
- **Example:**
 - A person purchases a widget from a company outside of Louisiana. The company charges \$10 for shipping of the widget to the person. The widget is taxable and so is the related shipping.
- Manufacturers and distributors would rarely be required to charge sales tax on transportation.
 - **Exception:** The manufacturer sales direct to a retail customer.

Myth vs. Fact

MYTH

- There is a “new transportation tax.”
- If I itemize the shipping charges on an invoice, then those charges are never taxable.
- All transportation costs are taxable.
- Manufacturers and distributors are required to charge sales tax on all transportation.

FACT

- Sales and use tax now applies to the amount charged to a customer for shipping at retail/final sale to the consumer.
- Delivery, freight, and shipping charges are subject to sales and use tax when the item being shipped or delivered is also taxed.
 - **Excluding rentals and leases**
- Regardless if transportation charges are separately invoiced or included in the transaction total, the transportation charges are taxable (if the transported item is also taxed.)
- Transportation, as a standalone service, is not taxable in Louisiana.
- In most cases, only retailers are required to charge sales tax on shipping charges.

**Sample invoice issued
before change in law**

Retail Invoice

Invoice Number: 123456
Invoice Date: March 5, 2024
Due Date: March 19, 2024

Ship To:
John Doe
123 Main Street
Cityville, XY 12345

Items Purchased:

| Item | Description | Unit Price | Quantity | Total |
|----------|-------------------------|------------|----------|----------|
| Widget A | Small electronic widget | \$25.00 | 2 | \$50.00 |
| Widget B | Medium-sized gadget | \$50.00 | 1 | \$50.00 |
| Widget C | Large home appliance | \$100.00 | 1 | \$100.00 |

Subtotal: \$ 200.00
Shipping Charge: \$ 15.00
Sales Tax (10%): \$ 20.00

Total Amount Due: \$ 235.00

The 10% sales tax applies only to the taxable subtotal.

**Sample invoice issued
after change in law**

Retail Invoice

Invoice Number: 123456
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| Widget C | Large home appliance | \$100.00 | 1 | \$100.00 |

Subtotal: \$ 200.00
Shipping Charge: \$ 15.00
Sales Tax (10%): \$ 21.50

Total Amount Due: \$236.50

The 10% sales tax applies to the taxable subtotal and taxable shipping.

LDR Published FAQ:

Are shipping, delivery, and freight charges taxable?

Transportation charges (shipping, freight, delivery) are included in the definitions of “cost price” and “sales price”. As a result, transportation charges paid to the seller for delivery of tangible personal property and digital products purchased from the seller are subject to state and local sales and use taxes. Cost price and sales price relate to sales/purchases of tangible personal property and digital products but are not applicable to leases, rentals, or services.

If the underlying transaction is excluded (i.e., sale for resale) or exempt (i.e., MM&E) from sales and use tax, the transportation charges are also excluded/exempt because they are part of the cost/sales price of the transaction.

LDR Published FAQ:

Are shipping, delivery, and freight charges taxable?

If a purchaser contracts with a third-party for delivery, the charges paid to the third-party by the purchaser are not subject to sales and use tax. Additionally, if a seller contracts with a third-party for delivery, the charges paid by the seller to the third-party are not subject to sales and use tax. However, if those charges are passed on to the purchaser by the seller, the charges paid by the purchaser are considered part of the sales/cost price and subject to sales tax.

For leases and rentals, sales tax is due on the gross proceeds derived from the lease or rental. Transportation charges are not considered part of the gross proceeds. Therefore, separately stated transportation charges associated with the delivery of leased or rented property is not subject to sales and use tax.

Exemption for Certain Contracts

- Based on La. R.S. 47:305.11 no new or additional sales or use tax enacted on or after January 1, 2025, shall be applicable to sales of materials or services involved in lump sum, unit price, fixed fee, or guaranteed maximum price construction contracts.
- The contract must have been entered into prior to and within ninety days of the effective date of the statute levying the new or additional sales/use tax.
 - The contract must involve contractual obligations that were undertaken prior to the effective date of the tax imposition.
 - The contract must also have been bid on the basis of sales taxes at the rates effective and existing prior to the effective date of the imposition.

Exemption for Certain Contracts

- Each contract stands on its own and must be evaluated independently.
 - Exemption amount includes both the change from 4.45% to 5% and transportation charges.
- To apply for the exemption certificate:
 - Complete and submit Form R-1075 (1/25)
 - *Application to Utilize R.S. 47:305.11 for Contracts Prior To and Within 90 Days of Tax Levy*
 - Available here: [https://dam.ldr.la.gov/taxforms/1075\(1_25\)F.pdf](https://dam.ldr.la.gov/taxforms/1075(1_25)F.pdf)
 - An application should be submitted for each contract by its contractor
 - Not vendor or third party
 - Once LDR reviews and issues the exemption certificate, the contractor will provide to its vendor to claim the exemption.

Questions and Examples

- A dump truck owner who hauls aggregate called because he believes that he has to start taxing deliveries.
- Response
 - The transportation is only taxable if the dump truck owner is the seller of the aggregate.

Questions and Examples

- If we are renting cranes only (with or without an operator) and not providing any other maintenance/construction services, is the delivery charge for the rented crane taxable?
- Response
 - No. Sales tax on transportation charges does not apply to leases or rentals.

Questions and Examples

- If we have any freight/shipping/transportation line items on an invoice, it is taxable.
- Response
 - It depends. If the invoice includes a taxable sale of tangible personal property or digital products, then the associated transportation is taxable as well.

Questions and Examples

- Is transportation taxation only for Louisiana or is it taxable for Parish also?
- Response
 - Parishes adopt the definitions provided for in R.S. 47:301, and therefore will charge sales tax on transportation as part of the sales or cost price.

Questions and Examples

- When our company hauls a piece of heavy equipment only (no aggregate material) for a customer, is this transaction taxable?
- Response
 - Transportation as a service is not subject to sales or use tax. If the transporter is just moving the equipment from one location to another, it is not taxable. However, if the transporter is selling the heavy equipment to the customer and charges for delivery, then it is taxable.

Questions and Examples

- The charge for a delivery could be a “quoted” price or an hourly price. Is there a different taxation for each item?
- Response
 - Transportation costs included in the cost price or sales price are subject to the state and local sales tax.

Questions and Examples

- If we pick up a piece of heavy equipment in Texas and haul through LA to Arkansas or another state, is this taxable?
- Response
 - Transportation as a service is not taxable in Louisiana.

Questions and Examples

- If we haul a piece of equipment from another state and deliver in LA, is this taxable?
- Response
 - Transportation as a service is not taxable in Louisiana.
 - However, if the piece of heavy equipment is being sold to a person or entity in Louisiana and the item is delivered in to Louisiana, the consumer will owe sales/use tax on the sales price or cost price of the tangible personal property sold which should be collected by the seller. Sales/cost price of tangible personal property includes transportation costs.

Questions and Examples

- If we haul a piece of equipment from LA to a surrounding state (TX, AR, MS), is this taxable?
- Response
 - Transportation as a service is not subject to sales or use tax. If the trucking company is selling the equipment in addition to transporting the equipment, the trucking company must determine the delivery location and its respective tax rules.

Questions and Examples

- If we haul aggregate from LA to a surrounding state, is this taxable?
- Response
 - Transportation costs that are included in the sales price or cost price are taxable. Transportation as a standalone service is not taxable.

