

Freight, Delivery & Transportation



This regulation is designed to provide general guidance. Nothing in this regulation modifies or is intended to modify the City of Loveland's municipal tax code. It is not intended for legal purposes to be substituted for the Loveland municipal tax code. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

Starting January 1, 2024

Delivery and freight charges are generally not subject to sales tax, so long as the charges are both separable from the purchase and separately stated on the customer invoice. The charges are considered separable from the purchase if they are for service performed after the property is offered for sale and the seller allows the buyer to use the seller's transportation service or to use alternative transportation service, including but not limited to the buyer picking up or taking the property from the seller's location.

Taxable delivery and freight charges related to tax exempt sales (tax exempt item, sale to tax exempt charity, shipping out of state, etc.) are not subject to sales tax because the delivery charges are considered part of the exempt sales.

Prior to January 1, 2024

The taxation of freight, delivery, transportation or shipping charges is determined by whether the goods are shipped F.O.B. Destination or F.O.B. Origin.

F.O.B. is an abbreviation for Free on Board. This means that the product will be placed on a mode of transport (carrier) without any loading costs and free of any encumbrances.

F.O.B. Destination means that the seller keeps title to the goods until the goods get to their final destination.

F.O.B. Origin means that the buyer takes title to the goods when the goods leave the seller's dock.

(1) Where tangible personal property is sold "F.O.B. origin or shipping point" and the purchaser at that point assumes the risks of ownership, and transportation costs do not appear on the seller's invoice, the cost of transportation paid by the purchaser to the carrier is not subject to the tax.

(2) Where tangible personal property is sold "F.O.B. origin or shipping point" and the invoice allows a credit for transportation charges paid or to be paid by the purchaser, the tax shall be computed on the total invoice charge.

(3) Where tangible personal property is sold on a delivered or "F.O.B. destination" basis, the tax shall be computed on the total charges, even though the seller bills the purchaser separately for the freight charges.

(4) Where the seller delivers the shipment and makes a charge which appears separately on the invoice, and in fact the seller assumes responsibility for loss and damage in transit, the tax shall be computed on the total invoice charge.

CITY OF LOVELAND SALES TAX DEPARTMENT

Civic Center, 500 East Third Street Suite 110, Loveland, CO 80537 Tel: 970.962.2698 Fax: 970.962.2927

WEBSITE: www.lovgov.org/salestax EMAIL: SalesTax@CityofLoveland.org

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(5) Where the seller prepays transportation charges which appear on the seller's invoice as an additional charge or the transportation charges are invoiced separately, the tax shall be computed on the total charges, including the transportation charges, unless seller can satisfactorily show that the seller was acting as a bona fide agent of the purchaser to effect transportation by the carrier of the purchased goods.