



## Freight, Delivery and Transportation

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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 sellers 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.

(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.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN’S TERMS OF THE RELEVANT LOVELAND TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE LMTC (LOVELAND MUNICIPAL TAX CODE) AND APPLICABLE RULES AND REGULATIONS.