

The Louisville Municipal Code imposes its sales and use tax on the purchase price paid for tangible personal property sold at retail in the City. The taxable purchase price does not include freight, shipping or delivery service charges when such charges are billed as separate line-item charges on the vendor invoice. If freight, shipping and delivery charges are not separately stated, then the entire purchase price including all freight, shipping or delivery service charges is taxable.

Charges representing the actual cost of postage purchased from the U.S. Postal Service are exempt from tax if separately stated.

Transportation charges via a third party whereby, the purchaser is directly paying for pick-up and delivery, the purchaser assumes all risk of loss, and the purchaser is not being billed by the seller for the transportation charges are not subject to Louisville sales or use tax. However, the actual goods being picked up in Louisville by a third party under the above conditions are subject to Louisville sales tax on the purchase price of the goods. The point of sale is in Louisville and sales tax should be collected and remitted by the seller.

Commercial Packaging/Commercial Shipping Materials

Commercial packaging materials means containers, labels and/or cases that become part of the finished product to the purchaser, which is used by or sold to a person engaged in manufacturing, compounding, wholesaling, jobbing, retailing, packaging, distributing, or bottling for sales, profit, or use, and such materials are not returnable for reuse.

Commercial packaging materials that meet all of the following conditions are exempt from City sales tax: 1) the materials are used by a manufacturer, compounder, wholesaler, jobber, retailer, packager, distributor or bottler to label or contain the finished product, 2) the materials are transferred along with and as part of the finished product to the purchaser, and 3) the materials are not returnable for reuse.

Commercial shipping materials means, materials that do not become part of the finished product to the purchaser and which are used exclusively in the shipping process. These materials included but are not limited to containers, labels, pallets, banding material and fasteners, shipping cases, shrink wrap, bubble wrap or other forms of binding, padding or protection.

Commercial shipping materials that are not returnable for reuse and the charges are separately stated are exempt from City sales tax.

The retail sales of packaging or shipping materials to an end consumer not engaged in one of the above named commercial activities are subject to City sales tax.

Drop Shipments

A drop shipment is a sale in which a retailer or seller directs the manufacturer, wholesaler or supplier of a product to ship the merchandise directly to the Louisville customer on behalf of the seller. Drop shipments of retail sales of tangible

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personal property are subject to sales tax when billed by the seller or use tax remitted by the purchaser, unless the item being shipped is exempt from Louisville sales tax. The freight, delivery or transportation charges are exempt from City tax if separately stated on the customer invoice.

Examples

1. Business A is a Louisville business that purchases office furniture from a retailer outside Louisville and has the furniture delivered. The retailer charges a separate shipping fee on the invoice but does not collect any Louisville sales tax for the furniture. Business A is required to remit use tax to the City on the purchase price of the furniture but not on the shipping charges.
2. Business B is a Louisville business that purchases computers from a retailer outside Louisville and has the computers delivered and installed by the retailer. The retailer charges a lump sum of \$5,000 for the computers, delivery and installation, but no Louisville sales tax. Business B is required to remit Louisville use tax on the entire price of \$5,000.
3. Business C is a Louisville business that manufactures neon signs. Customer A is a retailer that ordered a custom neon sign for their store in Denver. Customer A informed Business C that they would be sending their own truck and employee to pick up the sign in Louisville. Business C should charge Louisville's combined sales tax rate on the purchase price to Customer A. The point of sale is in Louisville.
4. Business D is a Louisville business that purchased technical manuals on the internet from Seller A. Seller A charges Business D the full Louisville sales tax rate for the manuals plus a separate handling fee and the actual charge for shipping from a U.S. post office. Business D is not required to remit use tax on the handling fee or the mailing costs as they were separately stated on the invoice. No additional use taxes are due for the manuals as the full Louisville combined rate was charged.
5. Louisville Manufacturer A sells its product at wholesale to Distributor B in Texas. Manufacturer A invoices Distributor B for the product produced, but does not charge sales tax because the purchase is for resale. Distributor B is a retailer that sells the products to its customers throughout the United States. Distributor B maintains a warehouse in Colorado where the product produced by Manufacturer A is stored. Distributor B is responsible to invoice their customer's for the goods purchased. The product is shipped from Manufacturer A's warehouse in Louisville to either the Colorado warehouse or directly to purchaser as determined by the instructions of Distributor B.

The location of Distributor B and the location of the purchaser determine the taxes to be charged. Because Distributor B maintains a warehouse in Colorado, any deliveries to Colorado customers are subject to State sales tax and the tax of any other lawful jurisdiction applicable to the purchaser's location.

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