

# White Paper: Exactor Sales Tax Service

## *Can I use a generic rule for shipping & handling expenses?*

This white paper is an overview of how individuals can effectively manage their shipping and handling expenses. This task can be overwhelming for most individuals, because rates can vary state to state and depending on type carrier. Below highlights the important pointers that can help individuals better understand this part of the sales tax service.



Many people make the mistake of using generic shipping and handling (S&H) rules. Shipping and handling may be exempt from taxes, but often times they are taxable. Taxability is determined by the state depending upon the answer to questions such as (i) where does title pass to the buyer and (ii) are the handling and shipping expenses combined in the invoice, or stated separately. Exactor treats S&H like any other line item and determines taxes owing depending upon (i) the type of S&H service; (ii) which carrier is used; and (iii) the state rules governing the transaction. Like any other product, different states have different rules for S&H. What makes it even more complicated is that different types of S&H receive different treatment even within the state.

Some examples might come in handy to better explain:

- Using postal and courier services may not be taxed in some states such as California and Alabama, while in New York, they are taxed, unless you are using post office counter services, in which New York does not tax this expense.
- Shipping a product via common carrier and where title passes to the buyer at the buyer's place of delivery, would not be taxed in Alabama, but is taxed in Ohio.
- Same type of shipment, where title passes to the buyer at the buyer's place of delivery, but using a different type of carrier would be taxed in both Alabama and Ohio but not taxed in California.
- Where shipping is combined with handling, the transaction is taxed, regardless whether the S&H are mandatory or optional in Washington as they are in California.
- In Connecticut shipping charges are exempt, however if they are incurred for the delivery of tax exempt products the shipping costs are exempt as well.
- In Hawaii taxes depends on whether the product is shipped in state or out- if in state, shipping charges are taxed, while if shipment is to out of state- shipping is exempt.

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These are just some examples of showing the complexity regarding shipping and handling. The bottom line is that the Exactor service has sophisticated logic that performs many tasks before looking up the tax rate. It is easy (and detrimental) to make an overarching conclusion that may be correct in some states and incorrect in others. Applying a generic rule regarding S&H simply does not have this kind of built-in logic, causing the user to charge incorrect sales taxes.

There is fundamental value in using a system with a high level of accuracy and reliability, which eliminates the risk of making inaccurate decisions that lead costly consequences.



### CONTACT US

For More Information about Exactor's Tax Compliance Services feel free to contact your Exactor representative for a consultation on how you can focus on your business while reducing compliance cost and risk with Compliance Services.

Call 800.851.8226 or Email [Sales.Support@exactor.com](mailto:Sales.Support@exactor.com)

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