

This letter discusses incoming shipping charges. See 86 Ill. Adm. Code 130.410 and 130.415.  
(This is a GIL.)

August 29, 2011

Dear Xxxxx:

This letter is in response to your letter dated August 2, 2011, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings (“PLRs”) are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department’s regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter (“GIL”) is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We inquired through one of our local vendors pricing for the cost of tile for a project we were bidding on. We were awarded the project and when placing the order for the tile was told that it was 8-10 weeks for delivery. The owner asked that we price shipping the tile in by air to meet the schedule. When I inquired on the cost we were quoted a dollar amount for shipping and the owner approved the additional cost for air freight.

The tile was shipped from the manufacturer to the distributor from where we picked up the tile. When we were billed, they billed us for the cost of the tile plus sales tax and a separate cost for the air freight plus sales tax. It is my understanding, after speaking with Dave at the Illinois Taxpayer Business Hot Line, that there should not be sales tax on the air freight.

Please send us a letter that we can forward to the distributor verifying that there should not be sales tax on freight.

**DEPARTMENT’S RESPONSE:**

The Department’s regulation “Cost of Doing Business Not Deductible” 86 Ill. Adm. Code 130.410, provides that “[i]n computing Retailers’ Occupation Tax liability, no deductions shall be made by a taxpayer from gross receipts or selling prices on account of the cost of property sold, the cost of

materials used, labor or service costs, idle time charges, incoming freight or transportation costs, overhead costs, processing charges, clerk hire or salesmen's commissions, interest paid by the seller, or any other expenses whatsoever. Costs of doing business are an element of the retailer's gross receipts subject to tax even if separately stated on the bill to the customer.

This principle is further explained in the Department's regulation, "Transportation and Delivery Charges" 86 Ill. Adm. Code 130.415, which provides in subsection (e) that transportation or delivery charges paid by a seller in acquiring property for sale are merely costs of doing business to the seller and may not be deducted by such seller in computing his Retailers' Occupation Tax liability, even though he passes such costs on to his customers by quoting and billing such costs separately from the selling price of tangible personal property which he sells. The same is true of transportation or delivery charges paid by the seller in moving property to some point from which the property (when subsequently sold) will be delivered or shipped to the purchaser.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Debra M. Boggess  
Associate Counsel

DMB:msk