

Drop Shipment Rule Repealed

Sales and Use Tax Rule 96 Regarding Drop Shipments is Repealed, Effective January 10, 2022

If a Tennessee supplier sells to an out-of-state dealer personal property or taxable services for resale and drop ships the goods to the out-of-state dealer's Tennessee customer, the Tennessee supplier may accept a resale certificate issued by another state or a fully completed Streamlined Sales and Use Tax Exemption Certificate that includes the sales tax ID number issued by the other state to make drop shipped sales for resale without tax.

Prior to the repeal of Rule 96, the Tennessee supplier had to collect Tennessee sales tax on the sales price of the product sold to the out-of-state dealer *unless* the out-of-state dealer provided a *Tennessee* resale certificate or Streamlined Sales Tax Exemption Certificate with a Tennessee sales tax ID number.

Other State Resale Certificates May be Accepted by Tennessee Suppliers for Goods Drop Shipped to Out-of-State Dealer's Tennessee Customers

Out-of-State Dealer

An out-of-state dealer (including an out-of-state marketplace seller) may provide a Tennessee supplier its resale certificate issued by another state or a fully completed Streamlined Sales and Use Tax Exemption Certificate including the sales tax ID number issued by another state, to purchase products for resale (including products for resale through a marketplace facilitator) that are drop shipped from a Tennessee supplier to the dealer's Tennessee customer.

Out-of-State Dealer Not Registered for Sales Tax in Any State

An out-of-state dealer (including an out-of-state marketplace seller) that is not registered for sales tax in any state (e.g., home state does not impose sales tax) may provide a Tennessee supplier with a fully completed Streamlined Sales and Use Tax Exemption Certificate including a tax ID number for another tax type (e.g., business tax or excise tax) issued by its home state or its federal identification number (FEIN).

Foreign Seller Not Registered in Any State in the United States

A foreign seller that is not registered in any state in the United States may provide a fully completed Streamlined Sales and Use Tax Exemption Certificate with a tax ID number issued by its home country to purchase products for resale without tax that are drop shipped from a Tennessee supplier to a Tennessee customer.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

TENN. COMP. R. & REGS. 1320-05-01-.29(2) and 1320-05-01-.96 (*repealed 1/10/22*).