

Sales/Use:

California: Proposed Changes to Drop Shipment Rule Address Marketplace Sales Transactions

Proposed Amendments to Regulation 1706, Drop Shipments, Cal. Dept. of Tax & Fee Admin. (9/10/21). The California Department of Tax and Fee Administration (Department) has proposed changes to its “drop shipment” regulation (Regulation 1706) that reflect marketplace facilitator legislation enacted in 2019 [see A.B. 147 (2019) for more details on this new law], which imposes certain registration and collection and reporting obligations on some marketplace facilitators and marketplace sellers in California on and after October 1, 2019. The proposed amendments seek to “clarify that marketplace sales are generally not drop shipment transactions,” as well as “provide more guidance about how a person can overcome the presumption they are a drop shipper.” Under the proposal, if a marketplace seller contracts to purchase property from a supplier and instructs the supplier to deliver the property directly to the consumer, the supplier generally is *not* considered a drop shipper. The proposal includes a new example to help illustrate these changes.

URL: <https://www.cdtfa.ca.gov/taxes-and-fees/Reg-1706-2021.htm>

URL: http://leginfo.legislature.ca.gov/faces/billHistoryClient.xhtml?bill_id=201920200AB147

The written comment period on these proposed changes is scheduled to end on October 25, 2021, and while the Department has not scheduled a public hearing to discuss them, “any interested person or his or her authorized representative may submit a written request for a public hearing no later than 15 days before the close of the written comment period, and the Department will hold a public hearing if it receives a timely written request.” Please contact us with any questions.

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