

Sales/Use/Indirect:

California: Revisions to Drop Shipment Rule Address Marketplace Sales Transactions

Proposed Amendments to Regulation 1706, Drop Shipments, Cal. Dept. of Tax & Fee Admin. (11/30/21). The California Department of Tax and Fee Administration is changing its “drop shipment” regulation (Regulation 1706) to 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 amendments filed by the Office of Administrative Law (OAL) with the California Secretary of State 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 approved revisions, 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 revisions include a new example illustrating a marketplace sale that is not a drop shipment. Please contact us with any questions.

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

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