



MULTISTATE INDIRECT TAX

## Tennessee repeals drop shipment rule

### Tax Alert

## Overview

Per [Important Notice #22-01](#), effective January 10, 2022, the Tennessee Department of Revenue has repealed Sales and Use Tax Rule 96 regarding drop shipments. As a result, Tennessee suppliers may now accept resale certificates from other states for goods purchased by out-of-state dealers for resale that are drop shipped to the dealers' Tennessee customers.

This Tax Alert summarizes Important Notice #22-01.

## Tennessee now accepts resale certificates from other states

- Prior to the repeal of Rule 96, Tennessee suppliers were required to collect and remit Tennessee sales tax on products purchased by out-of-state dealers for resale to Tennessee customers, unless the out-of-state dealer provided a Tennessee resale certificate or Streamlined Sales Tax Exemption Certificate with a Tennessee sales tax ID number.
- Now to make drop shipped sales for resale without tax, an out-of-state dealer can provide a Tennessee supplier its 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.
- If an out-of-state dealer is not registered for sales tax in any state (e.g., the home state does not impose sales tax), the dealer can provide a Tennessee supplier its Streamlined Sales and Use Tax Exemption Certificate that includes the dealer's federal identification number (FEIN) or a tax ID number for another tax type issued by its home state.
- Similarly, to make drop ship sales for resale without tax, foreign sellers not registered in the U.S. can provide a Tennessee supplier with a fully completed Streamlined Sales and Use Tax Exemption

Certificate with a tax ID number issued by its home country.

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