

DEPARTMENT OF STATE REVENUE

Information Bulletin #57
Sales Tax
April 2023
Effective Date: Upon Publication
(Replaces Bulletin #57, dated September 2021)

SUBJECT: Drop Shipments

REFERENCES: [IC 6-2.5-3-1](#); [IC 6-2.5-3-2](#); [IC 6-2.5-3-6](#); [IC 6-2.5-3-7](#); [IC 6-2.5-8-8](#)

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SUMMARY OF CHANGES

Only nonsubstantive, technical changes have made to this bulletin. It has been primarily changed to reflect updated formatting.

INTRODUCTION

Drop shipments involve the sale of goods by a seller who delivers the goods directly to the purchaser's customer. However, this is generally not a three-party transaction, but two separate two-party transactions. The first transaction is the sale from the seller to the purchaser. The second transaction is the sale from the purchaser to the purchaser's customer. There is not a direct transaction between the seller and the purchaser's customer. The general statutes and regulations governing sales and use tax apply to both transactions.

TAXABILITY OF THE TRANSACTIONS

Indiana sales tax is imposed on retail transactions in Indiana, unless a specific exemption applies. The liability for payment and collection will generally be determined by applying the imposition rules in [IC 6-2.5-2-1](#) and the sourcing rules in [IC 6-2.5-13](#). If a customer does not receive the product at a business location of the merchant, the sale is sourced to the location where receipt by the customer occurs, including the location indicated by instructions for delivery to the customer known to the merchant. This means that products delivered into Indiana to the location of the purchaser's customer are subject to Indiana sales tax.

The sale from the seller to the purchaser is exempt as a "sale for resale," as long as a properly executed exemption certificate is provided by the purchaser. Generally, the exemptions form prescribed by the department for resale purposes is Form ST-105, the Indiana General Sales Tax Exemption Certificate. The purchaser may issue an ST-105 to the seller and alleviate the seller's obligation to collect sales tax. Because the purchaser's customer is not a purchaser relative to the seller, the purchaser's customer cannot issue a valid exemption certificate to the seller. Instead of providing an ST-105, the purchaser may provide an SSTGB Form F0003, the Streamlined Sales and Use Tax Agreement Certificate of Exemption.

The sale from the purchaser to the purchaser's customer is considered taxable, unless an exemption applies. If the purchaser's customer does not provide a valid exemption certificate, then the purchaser is required to collect Indiana sales tax if they are registered with the department to collect Indiana sales tax, or if they are required to be registered due to either having a physical presence in Indiana or because as a remote seller they have met the economic nexus thresholds as described in the section below.

REMOTE SELLERS

If the purchaser has a physical presence in Indiana, they have an obligation to collect and remit Indiana sales tax. If the purchaser does not have a physical presence in Indiana (meaning they are a "remote seller"), they will be required to register with the department as a retail merchant and collect and remit Indiana sales tax if they meet either or both of the following economic nexus thresholds in the current or preceding calendar year:

- The retail merchant has gross revenue from any combination of:
 - the sale of tangible personal property that is delivered into Indiana;
 - a product transferred electronically into Indiana; or
 - a service delivered in Indiana;that exceeds \$100,000.

- The retail merchant sells any combination of:
 - tangible personal property that is delivered into Indiana;
 - a product transferred electronically into Indiana; or
 - a service delivered in Indiana;in 200 or more separate transactions.

A purchaser that meets one or both of the economic nexus thresholds is also required to comply with all applicable procedures and requirements of Indiana's sales tax laws as if the retail merchant had a physical presence in Indiana. For further information on these remote seller requirements, please consult Sales Tax Information Bulletin #89, available online at in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/. If the purchaser does not have a physical presence in Indiana and does not meet either of the economic nexus thresholds, they do not have an obligation to register with the department and collect Indiana sales tax. It would then fall on the purchaser's customer to self-remit use tax.

Purchasers should register to collect sales tax by visiting the State of Indiana's INBiz website, which allows businesses to register with multiple state agencies, at inbiz.in.gov. Sales tax returns can be filed using the department's online e-services portal, called the Indiana Taxpayer Information Management Engine (INTIME), which can be accessed at intime.dor.in.gov.

Because the sale between the seller and the purchaser is sourced to Indiana, the sale between seller and purchaser also counts towards the seller's economic nexus thresholds in determining whether seller is required to register as a retail merchant in Indiana.

If you have any questions concerning this bulletin, please contact the Tax Policy Division at taxpolicy@dor.in.gov.

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Commissioner

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