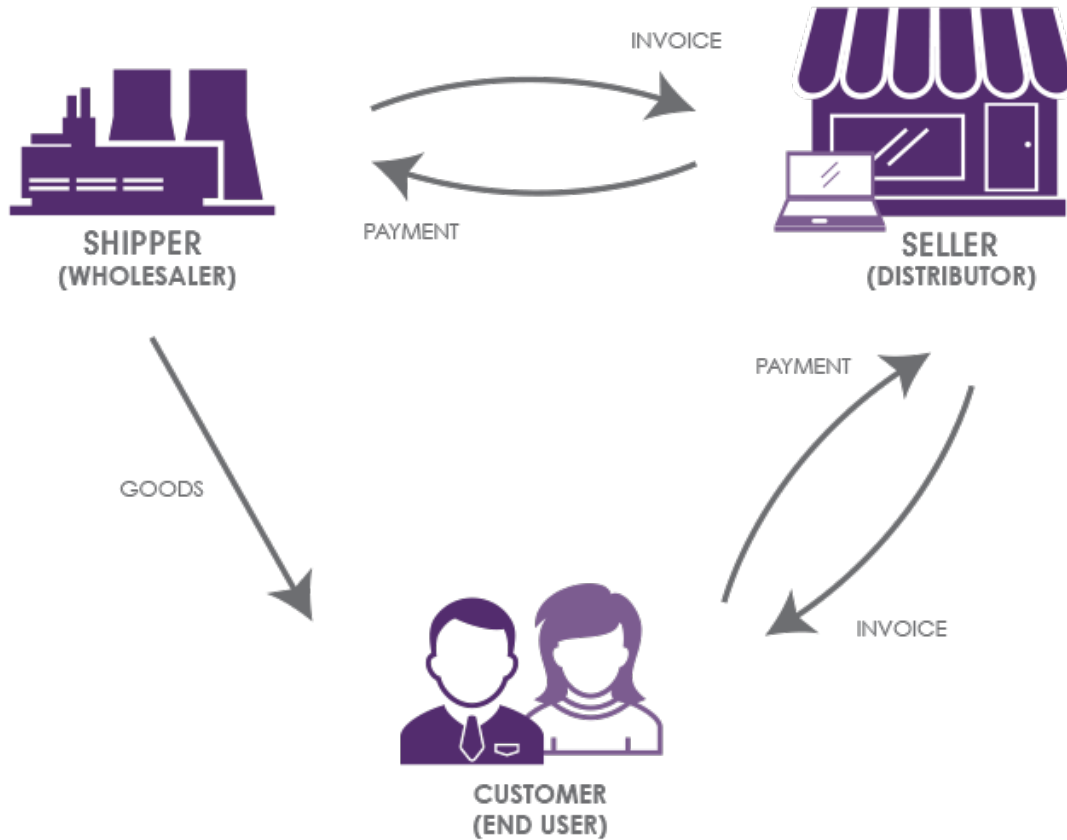


SALES TAX JUMPSTART

The Drop Shipment Model



Drop Shipment Exemption Certificate Rules

You can use this document to determine what type of certificates can be used to claim a resale exemption on purchases that are drop shipped from a shipper to an end customer. If you are the shipper then this will tell you the type of documentation you can accept from your customer, the seller. If you are the seller, this will tell you what you need to give your supplier, the shipper.

For the seller's home state, they can use the specific state certificate or the multi-state certificate that is acceptable by that state using the home state registration number. This list represents the best answer for each state. However, for many of the states, they will accept something different. We recommend using the Streamlined Form as your first choice in the Streamlined states as it carries additional protections. It is always appropriate to issue the state specific certificate for states where you are registered.

We've also provided you the links to the few certificates you will need other than your home state resale certificate which we assume you already have. If you want to include the following language in a cover letter/email to explain it might help:

Seller Company is purchasing products from Shipper Company for resale. The items are being drop shipped into states where Seller Company is not registered. Based on the laws in each state, we are providing you with documentation that qualifies as a valid resale certificate. These can include Seller's home state resale certificate, Seller's home state registration number on the SSTP or MTC Exemption Certificate, Seller's home state registration number on the ship to state certificate, or Seller's customer's resale certificate in their state in cases where Seller's customer is exempt in the ship to state.

1. States that accept the SSTP Exemption certificate with any state's registration number even if not Consumer State (Ship to State). Put Seller's home state sales tax number on each line labeled as "home state" (use Seller's actual home state name) Resale. Link to SSTP exemption certificate and instructions: <http://www.streamlinedsalestax.org/index.php?page=sst-exemption-certificate>
 - a. Arizona, if it contains the required information
 - b. Arkansas
 - c. Florida, if wholesaler/shipper ships from non FL inventory
 - d. Georgia
 - e. Indiana
 - f. Iowa
 - g. Kansas
 - h. Kentucky
 - i. Michigan
 - j. Minnesota, as long as it contains the required information
 - k. Nebraska
 - l. Nevada
 - m. New Jersey
 - n. North Carolina
 - o. North Dakota
 - p. Ohio
 - q. Oklahoma
 - r. Rhode Island
 - s. South Carolina
 - t. South Dakota
 - u. Utah
 - v. Vermont
 - w. Washington
 - x. West Virginia
 - y. Wisconsin
 - z. Wyoming

2. States that accept the Multistate Tax Commission (MTC) Exemption certificate with any state's registration number even if not Consumer State (Ship to State). Put Seller's home state sales tax number on each line labeled as "home state" (use Seller's actual home state name) Resale unless otherwise indicated for the state below. Link to MTC exemption certificate and additional information: <http://www.mtc.gov/Resources/Uniform-Sales-Use-Tax-Exemption-Certificate>
 - a. Colorado
 - b. Idaho, if Distributor/Seller does not have an Idaho seller's permit he should state that he has no nexus with Idaho on the certificate instead of listing Seller's home state number.
 - c. Illinois, put statement that there is no nexus in IL but seller is registered in "home state"
 - d. Maine
 - e. Missouri
 - f. New Mexico
 - g. Texas
3. States that accept the home state resale certificate of Distributor/Seller. They should accept Seller's home state resale certificate for this state. You should indicate on your home state resale certificate that this should also be used to exempt drop shipments into AL.
 - a. Alabama
4. States that accept Ship to State resale certificate with Seller's home state registration number
 - a. New York – link to New York State and Local Sales and Use Tax Resale Certificate (ST-120): https://www.tax.ny.gov/pdf/current_forms/st/st120_fill_in.pdf
 - i. Complete part 2
 - b. Virginia – link to Virginia Sales and Use Tax Certificate of Exemption (ST-10): <https://www.tax.virginia.gov/sites/default/files/taxforms/exemption-certificates/any/st-10-any.pdf>
 - i. On VA Account number line – write in "home state" and Seller's home state number
5. States where you will issue the ship to state certificate with a statement of no nexus in lieu of a number:
 - a. Pennsylvania
 - b. Louisiana - Out of State non-registered Non-dealer Distributor/Sellers are required to document their non-dealer status in the records of the Wholesaler/shipper so Wholesaler/shipper will not be held liable for not having collected sales tax. The necessary documentation can be presented in letter format.
6. States where if Shipper is registered in the ship to state but Seller is not, but Seller's customer is a reseller and is registered or is otherwise exempt from tax. You will provide Seller's home state resale certificate with Seller's customer's certificate for the ship to state to Shipper with a note indicating that they are reselling or exempt and registered in the home state.
 - a. California
 - b. Connecticut
 - c. Massachusetts
 - d. Mississippi
 - e. Tennessee

7. States where the only way to not pay tax to a registered Shipper for drop shipments into the state is for Seller to be registered and issue the ship to state certificate with the Seller's ship to state sales tax number.
 - a. Hawaii – this will result in the wholesale rate of 0.005% instead of the retail rate of 4%
 - b. Maryland
 - c. Washington D.C.