



Indiana Department of Revenue

Indiana Government Center • 100 N. Senate Ave. Indianapolis, IN 46204 • dor.in.gov

Sales Tax Information Bulletin #57
Subject: Drop Shipments
Publication Date: March 2024
Effective Date: January 1, 2024
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

Replaces Bulletin #57, dated April 2023

Disclaimer: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

Summary of Changes

This bulletin has been updated to remove language regarding the 200 transaction economic threshold. This threshold was removed as part of Senate Enrolled Act (SEA) 228 (2024).

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 threshold 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 have gross revenue that exceeds \$100,000 in the current or preceding calendar year 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;

A purchaser that meets this economic nexus threshold 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/](https://www.in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/).

NOTE: Prior to January 1, 2024, Indiana had a second economic threshold, and if a merchant met either or both of the thresholds in the current or prior calendar year, they were required to register with the department as a registered retail merchant and collect and remit Indiana sales tax on retail transactions made in Indiana as an agent for the state. This second threshold was for instances where the retail merchant sold any combination of the following in 200 or more separate transactions during the current or prior calendar year: (1) tangible personal property that is delivered into Indiana; (2) a product transferred electronically into Indiana; or

(3) a service delivered in Indiana. Please refer to [Sales Tax Information Bulletin #89](#) for guidance on the application of the 200 transaction threshold in calendar years prior to 2024.

If the purchaser does not have a physical presence in Indiana and does not meet the economic nexus threshold, 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 threshold 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.



Robert J. Grennes, Jr.
Commissioner
Indiana Department of Revenue