

HOW SALES TAX WORKS FOR DROP SHIPPING

A guide to understanding U.S. sales tax rules on drop shipping for sellers and suppliers



If you **provide** drop shipping as a supplier

If you **use** drop shipping as a seller

WHAT IS NEXUS?

A connection to a state based on sales or sales-related activities that creates a tax obligation.

Does the seller have nexus?

N

Y

Did you, as the supplier, deliver goods valued at \$100K+ or 200+ sales transactions* into the state on behalf of the seller?



The seller collects sales tax, and you collect a valid resale exemption certificate from the seller.

N

Y

Do you, as the supplier, have nexus in the state where you're delivering on behalf of the seller?

Y

N



Collect sales tax or a valid resale exemption certificate from the seller.

Alert! Drop shipping has triggered sales tax for the seller.



Collect a valid resale exemption certificate from the seller.

Does your supplier have sales tax nexus in the state where they are delivering on your behalf?

N

Y

The customer is responsible for paying use tax.



Fill out a resale exemption certificate for your supplier.*

Does the seller have nexus?

N

Y

Did your supplier deliver goods valued at \$100K or 200+ sales transactions* into the state on your behalf?

Y

N

Does your customer qualify for sales tax exemptions?

N

Y

Collect sales tax.



Collect a valid resale exemption certificate from your customer.

*Nexus thresholds vary by state. View our [state-by-state guide](#).

DISCLAIMER: Tax rates, rules, and regulations change frequently. Although we hope you'll find this information helpful, this report is for informational purposes only and does not provide legal or tax advice.

DEFINITIONS
Seller: The company (usually retail or ecommerce) that accepts a product order from a customer.
Supplier: The company (often a manufacturer or wholesaler) that delivers the product to the customer.
Customer: The person or entity that placed the order.

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