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# **GEORGIA SALES AND USE TAX POLICY STATEMENT FOR THIRD-PARTY DROP SHIPMENT TRANSACTIONS**

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(Effective December 7, 1995)

The Official Code of Georgia Annotated § 48-8-38 provides for all gross sales to be subject to the tax until the person making the sale has proven the transaction is not a sale at retail.

Third-party drop shipment transactions normally involve purchasers who do not have nexus with Georgia and do not have a valid Georgia Certificate of Registration. The property is delivered to a third party in Georgia at the direction of the purchaser. Georgia dealers are not required to collect Georgia sales and use tax in a third-party drop shipment transaction when the purchased products are for resale. The purchaser must provide the seller with sufficient documentation that the product purchased is for resale purposes.

This policy statement provides for the documentation requirements that meet the burden of proof criteria such that the transaction is not a retail sale in third-party drop shipment transactions.

## **POLICY STATEMENT**

Currently, Georgia does not have a certificate of exemption form that can be used by purchasers for these types of transactions. However, the Uniform Sales and Use Tax Multi-jurisdictional Certificate of Exemption or the certificate of exemption from the purchaser's home state bearing their resale registration number, will serve as sufficient proof that the transaction is not a retail sale unless any one of the following conditions occur:

- (A) The purchaser is a real property contractor.
- (B) The certificate of exemption is not accepted in good faith or properly completed.
- (C) The purchaser's normal course of business is not a seller of the products being purchased as indicated on the exemption certificate.
- (D) The transaction documents fail to evidence that delivery is made to a person other than the purchaser.
- (E) The purchaser has nexus with this state and is required to be registered.
- (F) The seller and purchaser are affiliated entities or persons in any manner, for any purpose or, the seller performs any services in this State which are related to the sale, whether or not such services are preformed under a separate agreement on behalf of the purchaser.