



This Week in State Tax (TWIST)

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Missouri: Department Rules on Drop Shipments; Marketplace Facilitator FAQs Issued

The Missouri Department of Revenue recently addressed the sales tax treatment of drop shipments by a vendor that did not have nexus in Missouri. In a letter ruling request (LR 8214), the taxpayer explained that it was an out-of-state vendor that sold a manufacturer's products in Missouri by having the products directly drop shipped from the manufacturer to customers within Missouri. The taxpayer also stated that it did not have physical or economic nexus in Missouri. In its response, the Department determined that the taxpayer was not exempt from collecting and remitting Missouri sales tax for its drop shipment transactions. In the Department's view, title to the products first transferred from the manufacturer to the taxpayer upon delivery to customers in Missouri. The title to the products then transferred from the taxpayer to its customers. Therefore, the Department concluded that the taxpayer was required to collect and remit sales tax for sales that were drop shipped by the third-party supplier to customers in Missouri.

The Missouri Department of Revenue has issued FAQs on the state's economic nexus law that becomes effective next month. Specifically, effective January 1, 2023, a remote seller or a marketplace facilitator whose gross receipts from taxable sales of tangible personal property exceed \$100,000 in the previous or current calendar year is required to register and collect vendor's use tax. The FAQs outline the two options for registering with the Department as a marketplace facilitator and address how marketplace sales should be reported on a separate line of the vendor's use tax return under a separate item code. If marketplace sales are subject to other taxes (e.g., food tax), the FAQs provide the applicable codes for reporting such taxes. Please contact [John Griesedieck](#) with questions on Missouri's sales and use tax.



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