

## Income/Franchise:

### Tennessee Revenue Ruling Says Receipts from Drop Shipment Sales Are Sourced to Location of End User

*Revenue Ruling No. 24-12*, Tenn. Dept. of Rev. (12/19/24). In a revenue ruling involving a manufacturer that sells specialty products using third-party merchants to end customers located throughout the United States (including Tennessee), the Tennessee Department of Revenue (Department) concluded that the provided facts describe “drop shipment” sales transactions in which a purchaser (a merchant) directs its supplier (the manufacturer) to ship goods directly to the purchaser’s customer (the end user), and such sales must be sourced for Tennessee franchise and excise tax purposes based on the location of the end user. According to the Department, “in mechanical terms, drop shipments to end users in Tennessee will be included in the numerator of the receipts factor, while drop shipments to end users outside of Tennessee will not be included in the numerator.” Please contact us with any questions.

**URL:** <https://www.tn.gov/content/dam/tn/revenue/documents/rulings/fae/24-12fe.pdf>

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