

**Notice of Proposed Regulatory Action**  
**The California Department of Tax and Fee Administration**  
**Proposes to Amend California Code of Regulations, Title 18,**  
**Section 1706, *Drop Shipments***

NOTICE IS HEREBY GIVEN that the California Department of Tax and Fee Administration (Department), pursuant to its authority under Revenue and Taxation Code (RTC) section 7051, proposes to amend California Code of Regulations, title 18, section (Regulation) 1706, *Drop Shipments*. The proposed amendments clarify that marketplace sales are generally not drop shipment transactions and provide more guidance about how a person can overcome the presumption they are a drop shipper.

**AUTHORITY**

RTC section 7051

**REFERENCE**

RTC sections 6007, 6041, 6043, 6091, and 6203

**AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATION**

The Department has prepared copies of the text of the proposed amendments to Regulation 1706, as well as a statement of reasons for the proposed revisions to Regulation 1706. These documents and all the information on which the proposed regulatory action is based are available to the public upon request. The rulemaking file is available for public inspection at 450 N Street, Sacramento, California. The text of the statement of reasons and proposed amendments to Regulation 1706 are also available on the Department's website at <https://www.cdtfa.ca.gov/taxes-and-fees/regscont.htm>.

**CONTACT PERSONS**

Questions regarding the substance of the proposed amendments should be directed to Sarah Smith, by telephone at (916) 309-5292, by e-mail at [Sarah.Smith@cdtfa.ca.gov](mailto:Sarah.Smith@cdtfa.ca.gov) or by mail at California Department of Tax and Fee Administration, Attn: Sarah Smith, MIC:50, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0050.

Written comments for the Department's consideration, written requests to hold a public hearing, notices of intent to present testimony or witnesses at the public hearing, and other inquiries concerning the proposed regulatory action should be directed to Kim DeArte, Regulations Coordinator, by telephone at (916) 309-5227, by fax at (916) 322-2958, by e-mail at [CDTFARegulations@cdtfa.ca.gov](mailto:CDTFARegulations@cdtfa.ca.gov) or by mail to: California

Department of Tax and Fee Administration, Attn: Kim DeArte, MIC:50, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0050. Kim DeArte is the designated backup contact person to Sarah Smith.

#### WRITTEN COMMENT PERIOD

The written comment period ends at 11:59 pm (PDT) on October 25, 2021. The Department will consider the statements, arguments, and/or contentions contained in written comments received by Kim DeArte at the postal address, email address, or fax number provided above, prior to the close of the written comment period, before the Department decides whether to adopt the proposed regulatory action. The Department will only consider written comments received by that time.

However, if a public hearing is held, written comments may also be submitted at the public hearing and the Department will consider the statements, arguments, and/or contentions contained in written comments submitted at the public hearing before the Department decides whether to adopt the proposed regulatory action.

#### PUBLIC HEARING

The Department has not scheduled a public hearing to discuss the proposed regulatory action. However, any interested person or his or her authorized representative may submit a written request for a public hearing no later than 15 days before the close of the written comment period, and the Department will hold a public hearing if it receives a timely written request.

#### CHANGES TO THE TEXT OF THE ORIGINAL PROPOSED AMENDMENTS

The Department may adopt the proposed amendments to Regulation 1706 with changes that are non-substantial or solely grammatical in nature, or sufficiently related to the original proposed text that the public was adequately placed on notice that the changes could result from the originally proposed regulatory action. If a sufficiently related change is made, the Department will make the full text of the proposed regulation, with the change clearly indicated, available to the public for at least 15 days before adoption. The text of the resulting regulation will be distributed to those interested parties who commented on the original proposed regulation orally or in writing or who asked to be informed of such changes. The text of the resulting regulation will also be available to the public from Kim DeArte. The Department will consider written comments on the resulting regulation that are received prior to adoption.

#### AVAILABILITY OF UPDATED STATEMENT OF REASONS

If the Department adopts the proposed regulatory action, the Department will prepare an updated statement of reasons, which will be made available for inspection at 450 N Street, Sacramento, California, and available on the Department's website at <https://www.cdtfa.ca.gov/taxes-and-fees/regscont.htm>.