

ALABAMA DEPARTMENT OF REVENUE  
ADMINISTRATIVE CODE

CHAPTER 810-27-1  
MULTISTATE TAX COMPACT

**810-27-1-.16      Sales Factor: Tangible Personal Property.**

(1) Sales Factor: Sales of Tangible Personal Property in this State.

(a) Gross receipts from sales of tangible personal property (except sales to the United States Government are in this state; see subparagraph (b)) are in this state:

1. If the property is delivered or shipped to a purchaser within this state regardless of the f.o.b. point or other conditions of sale.

2. For tax periods beginning before January 1, 2021, if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and the taxpayer is not taxable in the state of the purchaser.

(b) Property shall be deemed to be delivered or shipped to a purchaser within this state if the recipient is located in this state, even though the property is ordered from outside this state.

1. EXAMPLE: The taxpayer, with inventory in State A, sold \$100,000 of its products to a purchaser having branch stores in several states, including this state. The order for the purchase was placed by the purchaser's central purchasing department located in State B. \$25,000 of the purchase order was shipped directly to purchaser's branch store in this state. The branch store in this state is the purchaser within this state with respect to \$25,000 of the taxpayer's sales.

(c) Property is delivered or shipped to a purchaser within this state if the shipment terminates in this state, even though the property is subsequently transferred by the purchaser to another state.

1. EXAMPLE: The taxpayer makes a sale to a purchaser who maintains a central warehouse in this state at which all merchandise purchases are received. The purchaser reships the goods to its branch stores in other states for sale. All of the taxpayer's products shipped to the purchaser's warehouse in this state constitute property delivered or shipped to a purchaser within this state.

(d) The term "purchaser within this state" shall include the ultimate recipient of the property if the taxpayer in this state, at the designation of the purchaser, delivers to or has the property shipped to the ultimate recipient within this state.

1. EXAMPLE: A taxpayer in this state sold merchandise to a purchaser in State A. Taxpayer directed the manufacturer or supplier of the merchandise in State B to ship the merchandise to the purchaser's customer in this state pursuant to purchaser's instructions. The sale by the taxpayer is in this state.

(e) When property being shipped by a seller from the state of origin to a consignee in another state is en route diverted while to a purchaser in this state, the sales are in this state.

1. EXAMPLE: The taxpayer, a produce grower in State A, begins shipment of perishable produce to the en route purchaser's place of business in State B. While , the produce is diverted to the purchaser's place of business in this state in which state the taxpayer is subject to tax. The sale by the taxpayer is attributed to this state.

(f) For tax periods beginning before January 1, 2021, if the taxpayer is not taxable in the state of the purchaser, the sale is attributed to this state if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state.

1. EXAMPLE: The taxpayer has its head office and factory in State A. It maintains a branch office and inventory in this state. Taxpayer's only activity in State B is the solicitation of orders by a resident salesman. All orders by the State B salesman are sent to the branch office in this state for approval and are filled by shipment from the inventory in this state. Since the taxpayer is immune under Public Law 86-272 from tax in State B, all sales of merchandise to purchasers in State B are attributed to this state, the state from which the merchandise was shipped.

(g) For tax periods beginning before January 1, 2021, if a taxpayer whose salesman operates from an office located in this state makes a sale to a purchaser in another state in which the taxpayer is not taxable and the property is shipped directly by a third party to the purchaser, the following rules apply:

1. If the taxpayer is taxable in the state from which the third party ships the property, then the sale is in that state.

2. If the taxpayer is not taxable in the state from which the property is shipped, then the sale is in this state.

(i) EXAMPLE: The taxpayer in this state sold merchandise to a purchaser in State A. Taxpayer is not taxable in State A. Upon direction of the taxpayer, the merchandise was shipped directly to the purchaser by the manufacturer in State B. If the taxpayer is taxable in State B, the sale is in State B. If the taxpayer is not taxable in State B, the sale is in this state.

(2) Sales Factor: Sales of Tangible Personal Property to United States Government in this State.

(a) For the purposes of this rule, only sales for which the United States Government makes a direct payment to the seller pursuant to the terms of a contract constitute as sales to the United States Government.

1. A sale by a subcontractor to the primary contractor that holds a contract with the United States Government, does not constitute as sales to the United States Government.

(i) EXAMPLE: The taxpayer, as a subcontractor to a primary contractor with the National Aeronautics and Space Administration, contracts to build a component of a rocket for \$1,000,000. The sale by the subcontractor to the primary contractor is not a sale to the United States Government.

(b) The following applies to tax periods beginning before January 1, 2021.

1. Gross receipts from sales of tangible personal property to the United States Government are in this state if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state.

(i) EXAMPLE: A taxpayer contracts with General Services Administration to deliver X number of trucks which were paid for by the United States Government. The sale is a sale to the United States Government.

2. When the United States Government is the purchaser of property which remains in the possession of the taxpayer in this state for further processing under another

contract, or for other reasons, "shipment" is deemed to be made at the time of acceptance by the United States Government.

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