

CONTAINERS, LABELS, AND CASES

EXEMPT - CONTAINERS, LABELS, AND CASES

Commercial packaging materials are containers, labels, and/or cases, that become part of the finished product to the purchaser, used by or sold to a person engaged in **manufacturing, compounding, wholesaling, jobbing, retailing, packaging, distributing or bottling** for sale, profit or use, and is not returnable to said person for reuse. These packaging items are exempt from sales / use tax and can be purchased for resale if they meet all the requirements as listed below. Commercial packaging materials do not include commercial shipping materials.

1. Is used by said person to contain or label the finish product;
2. Is transferred by said person along with and as part of the finished product to the purchaser; and
3. Is not returned to said person for reuse.

TAXABLE - CONTAINERS, LABELS, AND CASES

Commercial shipping materials means materials that do not become part of the finished product to the purchaser, but are used exclusively in the shipping process are subject to sales and use tax. Commercial shipping materials include, but are not limited to containers, labels, pallets, banding material and fasteners, shipping cases, shrink wrap, bubble wrap, bags or other forms of binding, padding or protection.

Returnable containers are taxable. If the retailer, for its convenience, collects sales tax on the deposit for a returnable container, the tax must be refunded upon return of the container.

Containers sold to firms performing services (e.g. a moving and storage company) are taxable.

Pallets for warehouse use, which are not sold with a product as a container, are taxable.

EXAMPLES

1. ABC Speaker Company manufactures stereo speakers and speaker parts. After the speakers are produced and tested, they are packaged in styrofoam that was designed to fit around the component and then into a specially designed box that describes the product. Both the styrofoam and product box are considered "commercial packaging materials" and are exempt. Because ABC Speaker Company qualifies as a manufacturer any shipping packaging that is used in addition to the finished products "commercial packaging materials" would be exempt. *Note: That this exemption for "Commercial Shipping Materials" only applies to businesses that are in the business of manufacturing for wholesale sale.*

2. U.S.A. Moving Company is a nationwide mover specializing in personal household moving. U.S.A. is located in Arvada and uses various size boxes to contain various items during the moving process. The boxes in this case are subject to sales or use tax because they do not meet all of the conditions required to be an exempt container. U.S.A. Moving Company is providing a service and reuses the containers.
3. The Binge Brewery located in Arvada sells its product at retail in returnable kegs. The brewery must pay Arvada sales/use tax on the purchase of the kegs.

ARVADA MUNICIPAL CODE – Chapter 98 - Taxation

Sec. 98-61 Definitions

Commercial packaging materials means containers, labels, and/or cases, that become part of the finished product to the purchaser, used by or sold to a person engaged in manufacturing, compounding, wholesaling, jobbing, retailing, packaging, distributing or bottling for sale, profit or use, and is not returnable to said person for reuse. Commercial packaging materials do not include commercial shipping materials.

Commercial shipping materials means materials that do not become part of the finished product to the purchaser which are used exclusively in the shipping process. Commercial shipping materials include but are not limited to containers, labels, pallets, banding material and fasteners, shipping cases, shrink wrap, bubble wrap or other forms of binding, padding or protection.

Sec. 98-70. - Exempt sales.

There shall be exempt from taxation under the provisions of this article the items of sales and services including, but not limited to the following:

g. Tangible personal property purchased or leased from a resident vendor by a person engaged within the city in the **business of manufacturing for wholesale** sale or compounding for wholesale sale, when such tangible personal property is:

1. An article, substance or commodity which becomes an ingredient or component part of the product manufactured, which product is itself tangible personal property, and the **container, label and shipping case** thereof.

Sec. 98-78. - Exemptions. There shall be exempt from the tax provided in section 98-77, the storage, use, distribution and consumption of the following:

(6) Tangible personal property purchased or leased from a nonresident vendor by a person engaged within the city in the **business of manufacturing for wholesale** sale or compounding for wholesale sale, when such tangible personal property is:

a. An article, substance or commodity which becomes an ingredient or component part of the product manufactured, which product is itself tangible personal property, and the **container, label and shipping case** thereof.

RELATED TOPICS **MANUFACTURING**

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT ARVADA TAX LAW FOR THIS SUBJECT, INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE ARVADA MUNICIPAL CODE. HOWEVER, THE TAX GUIDE SHALL BE USED IN CONJUNCTION WITH THE ARVADA MUNICIPAL CODE (CHAPTER 98) IN DETERMINING TAX LIABILITY.