CONTAINERS, LABELS, AND SHIPPING CASES

Containers, labels, and shipping cases are subject to taxation unless they meet all the requirements for tax exemption below in Arvada Municipal Code Sec. 98-61.

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. Returnable pallets are subject to sales/use tax. A pallet is not taxable only when merchandise being sold is firmly affixed to it and the pallet is not returnable to the seller.

Generally, containers and labels include boxes, crates, jars, bags, sacks, bottles, packing cases, and gummed tapes and tags are exempt when used in commercial packaging. This also may include associated items such as twine, plastic stuffing, wrapping materials, and wire necessary to make the container functional.

EXAMPLES

1. ABC Speaker Company manufactures stereo speakers and speaker parts. After the speakers are produced and tested, they are packed in a cardboard box, along with plastic stuffing, and placed in inventory for sale. Neither the plastic stuffing nor the cardboard box are subject to sales tax when they are sold by XYZ Box Company to ABC Speaker Company because they meet all three conditions as a container: they contain the finished product, they are transferred by ABC Speaker Company to the purchaser as part of the product, and they are not returnable to the ABC Speaker Company for reuse.

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 three conditions required to be an exempt container. U.S.A. Moving Company is providing a service and does not manufacture finished items.

3. The Binge Brewery located in Arvada sells its product both wholesale and retail in returnable kegs. The brewery must pay Arvada sales/use tax on the purchase of the kegs.
Exempt commercial packaging materials shall mean containers, labels, and shipping cases sold to a person engaged in manufacturing, compounding, wholesaling, jobbing, retailing, packaging, distributing, or bottling for sale, profit, or use that meets all the following conditions:

1) is used by the manufacturer, compounder, wholesaler, jobber, retailer, packager, distributor or bottler to contain or label the finished product;
2) is transferred by said person along with and as a part of the finished product to the purchaser; and
3) is not returnable to said person for reuse.

COLORADO REVISED STATUTES - Special Sales/Use Tax Regulations

CONTAINERS

Sales of containers, labels, tags, cartons, packing cases, wrapping paper, twine, bags, shipping cases, bottles, cans, similar articles and receptacles sold to manufacturers, producers, wholesalers, jobbers, retailers, or other licensed vendors, for use as containers, labels, and shipping cases for articles sold by them, are not taxable if such containers, etc., are being resold, even though no separate charges are made for them.

Deposits on returnable beverage bottle containers are not subject to tax.

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 TAX CODE. HOWEVER, THE TAX GUIDE SHALL BE USED IN CONJUNCTION WITH THE ARVADA TAX CODE (CHAPTER 98) IN DETERMINING TAX LIABILITY.