

City and County of Denver, Colorado

TAX GUIDE

Topic No. 14

CONTAINERS, LABELS, AND SHIPPING CASES

Taxable Containers, Labels, and Shipping Cases

Sales and purchases of containers, labels, and shipping cases are subject to Denver sales or use tax, unless they meet the following requirements for tax exemption.

Non-Taxable Containers, Labels, and Shipping Cases

Sales and purchases of tangible personal property for use as containers, labels, and shipping cases are exempt from sales and use tax when all the following conditions are met:

- A. The tangible personal property is sold to and used by a manufacturer, compounder, wholesaler, jobber, retailer, packager, distributor, or bottler to contain or label the finished product;
- B. The tangible personal property is transferred by such retailer along with and as a part of the finished product to the purchaser; and,
- C. The tangible personal property is not returnable to retailer for reuse.

Definition

Generally, containers, labels, and shipping cases include boxes, crates, jars, bags, sacks, bottles, packing cases, and gummed tapes and tags. They also may include associated items such as twine, plastic stuffing, wrapping materials and wire necessary to make the containers and shipping cases functional.

Specific Items

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.

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. Moving Company is located in Denver 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.

- * DRMC Section 53-24(21) Definitions - Purchase Price
- * DRMC Section 53-24(40) Definitions – Wholesale Sale
- * DRMC Section 53-24(41). Definitions - Wholesaler
- * DRMC Section 53-25(1). Imposition of tax.
- * DRMC Section 53-95(24) Definitions - Purchase Price
- * DRMC Section 53-95(46) Definitions – Wholesale Sale
- * DRMC Section 53-95(47) Definitions - Wholesaler
- * DRMC Section 53-96(1). Imposition of tax.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.

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