

SECTION 6 - CONTAINERS USED IN WRAPPING, PACKING AND SHIPPING MATERIALS**6-1 CONTAINERS: WRAPPING, PACKING AND SHIPPING MATERIALS**

- A.** Sales to manufacturers, producers, wholesalers, and retailers of wrapping paper, labels, bags, cartons, and the other items specified in G.S. 105-164.13(23)a. are not subject to tax if they are used for packaging, shipping, or delivering tangible personal property sold at wholesale or retail and they constitute a part of the sale of the property and are delivered with the property to the customer. Except for the items described in Paragraph B. of this Bulletin, this exemption does not apply to items that are used solely for delivery purposes and do not become a part of the sale of tangible personal property.
- B.** Sales of containers, such as barrels and drums, that are used to package tangible personal property for delivery to the customer and are returned to the owner for reuse are not subject to tax. Such containers must enclose tangible personal property.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: October 15, 1998; November 15, 2009.

6-2 DRUMS FOR PACKAGING PRODUCTS

Sales of drums to manufacturers, producers, wholesalers and retailers are exempt from tax under G.S. 105-164.13(23) when the drums are used for packaging, shipment or delivery of tangible personal property which is sold at wholesale or retail and when the drums constitute a part of the sale of such tangible personal property and are delivered with it to the customer. Sales of paint to manufacturers, producers, wholesalers and retailers for use in painting the drums are also exempt from tax.

History Note: Authority G.S. 105-164.13; 105-264;
Issued: June 1, 1996.

6-3 EGG CARTONS

Sales of egg cartons to persons engaged in the business of selling eggs are exempt from tax when such cartons become a part of the sale of the eggs to the customer.

History Note: Authority G.S. 105-164.13; 105-264;
Issued: June 1, 1996.

6-4 GIFT WRAPPING

- A.** When a vendor gift wraps an item which he sells, the paper, ribbon and bow become a part of the sale of the item notwithstanding that the wrapping of the item may take place at the point of delivery thereof to the vendee or at one of the vendor's wrapping stations or that the vendor may make a charge for gift wrapping the item. If a separate charge is made for wrapping, it is deemed to be for services performed in wrapping the item rather than a separate sale of wrapping material, and no sales or use tax will be due on the wrapping charge.
- B.** When an organization, as a means of raising funds, offers to wrap gift items which were purchased from other vendors, the organization is considered to be performing a wrapping service and no tax is due on the service charge. However, tax is due on the cost of paper, ribbon and bows purchased for use in the performance of the service.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996.

6-5 HOGSHEADS, CARDBOARD CONTAINERS AND STRAPPING

Sales of wooden hogsheads, cardboard containers and strapping to operators of prizeries for use in moving tobacco from the prizery to the redrying plant are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
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Revised: June 1, 2002.

6-6 ICE HANDLING SUPPLIES

Sales of ice picks, ice tongs, tarpaulins and reusable canvas bags to merchants for use in the delivery of ice to customers, but which do not become a part of the sale, are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002.

6-7 MARKING MACHINES

Sales of marking machines to retailers and wholesalers for use in imprinting price, size or other information on tickets, tags, etc., are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
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Revised: June 1, 2002.

6-8 PACKAGING MATERIALS SOLD TO WAREHOUSEMEN AND MOVERS

Sales of packaging and packing materials to warehousemen and movers for use in the performance of storage and moving services are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002.

6-9 RETURNABLE CONTAINERS

- A. When a vendor sells tangible personal property in returnable containers and no charge is made for the use of the containers for a specified time, but, at the expiration of the specified time, the containers enter a **demurrage period** and a penalty charge is made to encourage the return of the containers, the charge is incidental to the sale of the property and is not subject to the tax.
- B. If a container is used by the owner of the container or another person to enclose tangible personal property for delivery to a purchaser of the property and is required to be returned to its owner for reuse, it is exempt from tax in accordance with G.S. 105-164.13(23)b. Such containers must enclose tangible personal property.

History Note: Authority G.S. 105-164.4; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: October 15, 1998; November 15, 2009.

6-10 DEPOSITS

- A. Deposits** charged by vendors for reusable containers, other than returnable beverage containers and core deposits as described in Paragraph B. of this Bulletin, are subject to sales or use tax when the purchasers of the property contained therein can, during the period the containers are in their possession, exercise such control over the containers as is ordinarily associated with ownership. Such amounts are a part of the sales price even though designated as deposits for the containers.
- B.** The following amounts charged as a deposit are exempt from sales and use tax:
1. An amount charged as a deposit on a beverage container that is returnable to the vendor for reuse when the amount is refundable or creditable to the vendee, whether or not the deposit is separately stated.
 2. An amount charged as a deposit on an aeronautic, automotive, industrial, marine, or farm replacement part that is returnable to the vendor for rebuilding or remanufacturing when the amount is refundable or creditable to the vendee, whether or not the deposit is separately stated. This exemption does not include tires or batteries.
- C.** When the vendors retain title to such containers and the right to control the use which the vendee makes of the containers, the containers are not considered to be a part of the sale of the property. In such cases, amounts charged to the customers as **security** for the return of the containers are not subject to sales or use tax if such charges are shown separately from the sales price of the property on the customers' invoices. If such amounts are not separately stated, the total charge is subject to the tax.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.13; 105-264;
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