

City of Colorado Springs

Tax Guide

Containers, Labels and Shipping Cases

Containers, labels, and shipping cases are taxable unless specifically exempted by the City Tax Code. Sales and purchases of tangible personal property for use as commercial packaging materials, such as containers, labels, and shipping cases, are exempt from sales and use tax when **all three** of the following conditions are met:

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

Containers and labels include boxes, crates, jars, bags, sacks, bottles, packing cases, gummed tapes, and tags and similar items. The term also may include associated items such as twine, plastic stuffing, wrapping materials, and wire.

Taxable and Non-Taxable

Returnable containers are taxable. If the retailer collects sales tax on the deposit for a returnable container, the tax must be refunded to the customer when the container is returned.

Containers sold to businesses performing services, such as moving and storage companies, are taxable as they are used by the business and not sold to the customer.

Any sale of a container or bag to a retailer or vendor of food, meals, or beverages, that is to be furnished to a customer or user for the purpose of packaging or bagging the articles is exempt, if such container or bag becomes the property of the consumer or user, together with the food, meals or beverages purchased at retail.

Pallets for in-house use are taxable. Returnable pallets are also subject to sales or use tax. A pallet is exempt only when it is included with the merchandise as packaging and it is not returnable to the seller.

CS CODE SECTION

2.7.104: Words & Phrases:
Exempt Commercial Packaging
Material
Gross Sales & Services
Price or Purchase Price
Purchase or Sale
2.7.432, 2.7.602, 2.7.602C

This guide provides an overview of specific subject matter and is not intended to be substituted for the full text within the City of Colorado Springs Tax Code.
01/2019

Question? email us at:
salestax@springsgov.com



Common Examples

1. A company manufactures tools. After the tools are produced and tested, they are packed in a sealed plastic box along with a label and shipped to their retail stores. Neither the plastic box nor label is subject to sales tax when the company sells them at retail because they meet all three conditions as a container:
 - A. The packaging and label are part of the finished product,
 - B. The company transfers the packaging and label to the purchaser as part of the product,
 - C. The packaging and label are not returnable to the company for reuse.
2. A moving company located in the City uses boxes and wrapping paper to contain various items during the moving process. The boxes and wrapping paper are subject to sales or use tax because they do not meet all of the three conditions required to be exempt. The moving company is not selling tangible personal property to its customers.
3. A company ships product to a warehouse for repackaging and delivers to individual retail stores. Containers, labels and packaging supplies used to ship the product are all taxable because they are not considered part of the final retail sale.