

# State of Rhode Island - Division of Taxation

## Sales and Use Tax

### Regulation SU 87-26

#### Containers and Labels

##### I. Containers

###### A. Definitions

The term "containers" means the articles in or on which tangible personal property is placed for shipment and delivery such as wrapping materials, bags, can, twines, gummed tapes, barrels, boxes, bottles, drums, carboys, cartons, sacks, pallets and materials from which such containers are manufactured.

The term "returnable containers" means containers of a kind customarily returned by the buyers of the contents for reuse by the packers, bottlers, or sellers of the commodities contained therein. A container, title to which is retained by the seller of the contents, or for which a deposit is taken by such seller, is a returnable container. Examples of returnable containers are: registered dairy products containers, steel drums, beer and soft drink bottles, wine barrels, chemical carboys, cement bags, and gas cylinders.

All other containers are "nonreturnable containers." Examples of nonreturnable containers are: wrapping and packing materials, paper bags, twine, cartons, cans, medicine and distilled spirits' bottles.

The term "deposit" means an amount charged to the purchaser of the contents of the container with the understanding that such amount will be repaid when the container or a similar container is delivered to the seller.

###### B. Tax does not apply to sales of:

- (a) Nonreturnable containers (including boxes, paper bags, and wrapping materials) when sold without the contents to persons who place the contents in the container and sell the contents with the container.
- (b) Returnable containers when sold with the contents in connection with a retail sale of contents, or when resold for refilling.
- (c) All containers when sold with the contents, if the sale of the contents is exempt.

Tax applies to all other sales of containers except sales for the purpose of resale to other sellers of containers who purchase them for resale without the contents.

Deposits as defined herein are not taxable.

The purchase of returnable containers by a manufacturer or processor from a supplier is a taxable transaction.

## II. Labels

### A. Tax does not apply to sales of labels or nameplates if:

(a) The purchaser affixes them to property to be sold and sells them along with and as a part of such property. (For example, sales of nameplates of manufacturers or producers which are permanently affixed to each unit of products sold, such as automobiles and machinery.)

(b) The purchaser affixes them to nonreturnable containers of property to be sold, or to returnable containers of such property if a new label is affixed to the container each time it is refilled. Examples are sales of labels to be affixed to fruit boxes, cans, bottles and packing cases, to growers, packers, bottlers and others who place the contents in the containers.

Tax applies to sales of such items as price tags, shipping tags, and advertising matter used in connection with the sale of property or enclosed with the property sold.

## III. Gift Wrapping

Tax applies to the entire charge for "gift wrapping" (i.e., furnishing the materials and labor required to wrap an item for a customer so as to be suitable for use as a gift), whether or not the person who does the gift wrapping is the seller of the contents, and whether or not a separate charge is made for the gift wrapping. The person who does the gift wrapping may purchase the materials free of tax for resale.

R. GARY CLARK  
TAX ADMINISTRATOR

DATE: May 1, 1987