

State of Rhode Island - Division of Taxation

Sales and Use Tax

Regulation SU 87-38

Display Containers

Some manufacturers attach items which they manufacture for resale to various types of cards. Some of these cards may contain the name of the manufacturer and/or printed advertising matter relating to the items so attached. Such cards usually have a capacity to hold six to a dozen items attached thereto; and each item is removed individually from such card when the retailer sells it to a customer.

For facility of shipment, these cards, with the items attached thereto, are sometimes placed in a box for delivery by the manufacturer (or by the wholesaler) to the retailer.

Such cards to which such items are thus attached are usually placed on a counter or shelf of the retailer in order to display the attached items of merchandise.

(a) Where title to such cards (some of which may be relatively expensive depending upon the nature and quality of the card) is retained by the manufacturer, so that the retailer may attach thereto items of merchandise to replace those previously sold, the sale of such cards by the card manufacturing company to the manufacturer of the items of merchandise thus sold is a taxable transaction.

(b) Where the manufacturer of such items of merchandise (for example pens, pencils, watchbands, razor blades, etc.) attaches them to such display cards, and title to the cards passes from the manufacturer of the merchandise to the retailer along with such merchandise, and such cards are discarded or thrown away by the retailer after the items attached thereto are sold to customers, then the initial sale of such cards by the card manufacturer to the manufacturer of the pens, pencils, etc., is regarded as a sale of a nonreturnable container, and the tax does not apply.

Under (b) hereof, such type of card, even though it may contain the name of the manufacturer of the products which are attached thereto, will be regarded as constituting a means or device for packaging or containing the goods which are to be offered for sale at retail; whereas the cards of the type referred to under (a) above, will be regarded as constituting a form of "display container" to which the tax shall apply.

R. GARY CLARK
TAX ADMINISTRATOR

DATE: May 1, 1987