ALABAMA DEPARTMENT OF REVENUE
ADMINISTRATIVE CODE

CHAPTER 810-6-1
GROSS PROCEEDS OF SALES; GROSS RECEIPTS; WHOLESALE SALES; SALES AT WHOLESALE; RETAIL SALES, SALES AT RETAIL; AUTOMOTIVE VEHICLES

810-6-1-.69 Containers, Components Of Containers, Labels, Pallets, And Shipping Supplies.

(1) The term "label" as used in Sections 40-23-1(a)(9)b, 40-23-1(a)(9)c, 40-23-60(4)b, and 40-23-60(4)c, Code of Ala. 1975, and in this rule shall mean a tag or sticker of any material imprinted with information. The term "label" includes price stickers, address stickers, and shipping tags as well as those tags or stickers which identify or describe the property to which they are attached.

(2) The term "components of containers" as used in this rule shall include partitions, cellophane, tissue paper, excelsior, gummed tape, scotch tape, glue, steel straps, twine, string, wire staples, wax paper, and wrapping paper which are used in and on containers to shape, form, preserve, stabilize, or protect the contents of the containers and which accompany the container and the container's contents upon shipment and delivery to the customer.

(3) The term "container" as used in this rule shall mean articles in or on which tangible personal property is placed for shipment and delivery to the purchaser. Containers include bags, barrels, baskets, bottles, boxes, cans, cartons, cores, crates, cups, cylinders, drums, kegs, pails, plates, reels, sacks, and spools.

(4) Containers purchased by manufacturers or compounders for use in packaging products manufactured or compounded by them for sale, including the components of the containers, are not subject to sales or use tax where such containers are passed on to the purchaser of the products contained therein with no intention on the part of either the purchaser or the seller to return the containers or have them returned for reuse. (Sections 40-23-1(a)(9)b and 40-23-60(4)b).

(a) This exclusion for manufacturers and compounders may apply to both inner and outer containers. Accordingly, when manufacturers or compounders place their manufactured or compounded products in cans or bottles and place the cans or bottles in fiber boxes for shipment to the customer; the cans or bottles and the fiber box qualify for the exclusion if both are intended for one-time use. Alabama-Georgia Syrup Co. v. State, 253 Ala. 49, 42 So. 2d 796 (1949).

(b) Containers, when purchased by manufacturers or compounders for use in purchasing and storing product ingredients prior to using them as ingredients in the manufacturing or compounding process and not purchased for use as one-time-use containers for shipping the manufactured or compounded product to customers, do not qualify for the exclusion. Alabama-Georgia Syrup Co. v. State, 253 Ala. 49, 42 So. 2d 796 (1949).

(5) Containers purchased by retailers for use in packaging products for sale, including the components of the containers, are not subject to sales or use tax where the containers are passed on to the purchaser of the products contained therein with no intention on the part of either the purchaser or the seller to return the containers or have them returned for reuse. (Sections 40-23-1(a)(9)c and 40-23-60(4)c).

(6) Containers and other packaging materials or supplies which are used or consumed in rendering nontaxable services are taxable when purchased by the person who performs the service even when the containers, materials, or supplies are transferred to the purchaser's customer. For example, the operator of a laundry or dry-cleaning establishment is the user or consumer of laundry bags, garment bags, and other packaging materials or supplies and must remit sales or use tax on purchases of these items even though the bags, materials, or supplies may be transferred to the operator's customer.

(7) Unless excluded by statute, containers, including the components of the containers, which are intended to be returned or repurchased for reuse are subject to sales or use tax. Sales of the following items are specifically excluded from sales or use tax regardless of whether there is an intent on the part of the purchaser or the purchaser's customer to return the containers or have them returned for reuse:

(a) Sales of containers to persons engaged in selling, supplying, or furnishing baby chicks to growers where the containers are for use in the delivery of the baby chicks to the grower. (Sections 40-23-1(a)(9)f and 40-23-60(4)f).

(b) Sales of egg crates and egg cartons to egg producers for use in the delivery of eggs to distributors or packers. (Sections 40-23-1(a)(9)f and 40-23-60(4)f).

(c) Sales of bagging and ties for use in preparing cotton for market. (Sections 40-23-1(a)(9)g and 40-23-60(4)g).

(d) Sales of wrapping paper and other wrapping materials to producers, processors, packers, or wholesale or retail sellers of poultry or poultry products for use in preparing poultry or poultry products for delivery, shipment, or sale. This exemption includes (i) pallets used in shipping poultry and eggs, (ii) paper, and (iii) other materials used to line boxes

or other containers in which poultry or poultry products are packed together with any other materials including ice placed in the containers for the delivery, shipment, or sale of poultry or poultry products. (Sections 40-23-4(a)(20) and 40-23-62(21)).

(8) Labels are purchased at wholesale, tax-free when (i) the label is purchased by a manufacturer or compounder and affixed to the tangible personal property or product which the manufacturer or compounder manufacturers of compounds for sale or to the furnished container thereof or (ii) the label is purchased to be affixed to one-time-use containers that are purchased without contents and sold or furnished to the purchaser's customer along with the contents placed therein or thereon for sale. (Sections 40-23-1(a)(9)b, 40-23-1(a)9c, 40-23-60(4)b, and 40-23-60(4)c).

(9) Pallets purchased without contents by persons who sell or furnish the pallets along with the contents placed on the pallets for sale are excluded from sales or use tax where the pallets are passed on to the purchaser of the products contained thereon with no intention on the part of either the purchaser or the seller to return the pallets or have them returned for reuse. (Sections 40-23-1(a)(9)d and 40-23-60(4)d).

(10) Crowns, caps, and tops sold to manufacturers or compounders for use upon containers in which the manufacturer or compounder markets its products are excluded from sales or use tax when the crowns, caps, or tops are intended for one-time use only. (Sections 40-23-1(a)(9)e and 40-23-60(4)e).

(11) Except for supplies which qualify for the exemptions contained in Section 40-23-4(a)(10), 40-23-4(a)(40), 40-23-4(a)(42)c, 40-23-62(12), 40-23-62(32), and 40-23-62(34)c, shipping supplies such as nails, lumber, metal straps, dunnage, and plates which are used for fastening or securing manufactured or compounded products into railroad cars, trucks, aircraft, or vessels for shipment are taxable at the time of purchased.

(12) Purchases by retailers, wholesalers, and others of sales tickets, cash register receipt paper, invoice forms, bill of lading forms, and other forms for use in receipting, billing, invoicing, or shipping are taxable.

(13) The following are examples of items sold by suppliers to certain retailers or service providers with notations as to whether the item qualifies as a nontaxable one-time-use container:

(a) RETAIL FOOD STORES (GROCERY & MEAT MARKETS):

Adding Machine Tape	T	Meat Interleaver	NT
Bags and Sacks	NT	Paper Cans	NT
Bag Holders	T	Paper Cutters	T

Brooms - Use	T	Parchment	NT
Broom Holders & Display Racks	T	Patty Paper	NT
Butcher Paper	NT	Plastic Film	NT
Cashier Pads	T	Pork Loin Wrap	NT
Cellophane Bags	NT	Prepackaging Trays	NT
Cellophane, Sheets or Roll	NT	Pressure Sensitive Tape	NT
Cellophane Cutters	T	Price Markers	T
Egg Cartons	NT	Produce Bags	NT
Food Pails and Tubs	NT	Roll Paper	NT
Greaseproof Paper	NT	Sausage Boxes and Liners	NT
Grocery Bags	NT	Signboard	T
Gum Tape	NT	Skewer	
T(1)			
Gum Tape Dispensers	T	Steak Interleaver	NT
Heat Sealing Equipment	T	Sugar Bags	NT
Ice Cream Bags	NT	Sweeping Compound	T
Labels	NT	Ti-Paks and Twisters	NT
Locker Paper	NT	Trays	NT
Marking Pencils	T	Twine	NT
Meat Boards	NT	Window Display Bags	NT

(1) Nontaxable only if accompanies sale and cannot be reused.

(b) FOOD AND BEVERAGE SERVERS: (Restaurants, Drive-ins, Cafeterias, Concession Stands, Bars, Lounges and Night Clubs)

Adding Machine Tape	T	Paper Cans and Pails	NT
Aluminum Foil	T	Paper Plates	NT
Aluminum Plates	NT	Paper Trays	NT
Barbeque Bags	NT	Paper Linen Caps	T
Bibs	NT(2)	Paper Liners for Food Trays	NT
Burger Cups	NT	Patty Paper	NT
Burger Cup Holders	T	Place Mats	
	NT(1)		

Butter Chips	NT	Printing Charge on Special Print Orders	T
Chop holders	T	Sandwich Bags	NT
Coasters	T	Sandwich and Drink Trays	NT
Cocktail Forks and Spoons	T(1)	Skewers	T
Coffee Stirrers	NT(2)	Soufflé Cups	NT
Crab Shells	NT(1)	Steak Markers	
	NT(1)		
Creamer Caps	NT	Straws	
	NT(2)		
Cups and Lids	NT	Sundae Dishes	
	NT(1)		
Cup Carriers	NT(1)	Table Covers	T
Cup Dispensers	T	Table Wiping Towels	T
Doilies	T	Tableware, Plastic & Spoons	
	NT(2)		
Eclair Cases	NT	Tissue, 12 x 12 M.G.	
	NT(1)		
Guest Checks	T	Toilet Tissue	T
Hot Dog Trays	NT	Tooth Picks and Frills	T
Kone Bottles	NT	Towelettes, Moist	
	NT(2)		
Napkins	NT(2)	Towels	T
Napkin Dispensers	T	Tray Covers	T
Paper Bags	NT	Waxed Paper	
	NT(1)		
Paper Cans and Pails	NT(1)	Wooden Forks and Spoons	
	NT(2)		
Paper Plates	NT	Wooden Dishes	
	NT(1)		

		Wooden Skewers	
	NT(2)		

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(2) Amended to conform to the decision of the Alabama Court of Civil Appeals in the case, State Department of Revenue v. Kelly's Food Concepts of Alabama, LLP

(c) LAUNDRY AND DRY CLEANING SUPPLIES:

Bridal Gown Boxes	T	Shirt Bags	T
Coat Retainers	T	Shirt Bands	T
Collar Supports	T	Shirt Boards	T
Garment Bags,	T	Shirt Boxes	T
Garment Roll Film	T	Shirt Pax	T
Garment Roll Film Dispenser Racks	T	Shirt Shells	T
Hanger Shields and Guards	T	Storage Bags	T
Hangers	T	Sweater Bags	T
Laundry Boxes	T	Tape	T
Laundry and Launderette Bags	T	Trouser Guards	T
Laundry Shells	T	Twine	T
Paper Cutters	T	Wrapping Paper	T

(d) RETAIL BAKERY AND CANDY SHOPS:

Adding Machine Tape	T	Jiffy Bags	NT
Aluminum Foil	NT(1)	Labels	NT
Aluminum Pie and Cake Plates	NT(1)	Marking Pencils	T
Bakery Bags	NT	Pan Liners	
NT(1)			
Bakery Boxes	NT	Paper Cans	NT
Bakery Tissue	NT	Paper Caps	T
Baking Cups	NT(1)	Paper Cutters	T
Bread Bags	NT	Paper Pie Plates	
NT(l)			
Cake Circles	NT(1)	Parchment	NT
Candy Bags	NT	Ribbon	NT

(1) Nontaxable only if accompanies sale and cannot be reused.

(2) If used as part of package.

Candy Cups	NT	Sales Books	T
Cellophane	NT	Sandwich Bags	NT
Cellophane Bags	NT	Sandwich Wrap	NT
Doilies	NT(1)	Shredded Cellophane	NT
Eclair Cups	NT(1)	Signboard	T
Food Pails and Tubs	NT(1)	Sweeping Compound	T
Gift Wrap	NT	Tooth Picks and Frills	T
Glassine Bags	NT	Transparent Tape	
NT(2)			
Grocery Bags	NT	Twine	NT
Gum Tape	NT(2)	Wax Paper	NT
Gum Tape Dispensers	T	Window Bags	NT
Heat Sealing Equipment	T	Wrapping Paper	NT

(e) DRUG, VARIETY, AND SUNDRY STORES: (See also Food and Beverage Servers)

Adding Machine Tape	T	Notion Bags	NT
Gift Wrapping Paper	NT	Paper Cutters	NT
Grocery Bags	NT	Prescription Bags	NT
Guest Checks	T	Ribbon and Accessories	NT
Gum Tape	NT		
Gum Tape Dispensers	T	Sanitary Napkin Bags (resale)	NT
Prescription Medicine Bottles	NT(1)	Shopping Bags	NT
Prescription Medicine Boxes	NT(1)	Signboard	T
Prescription Medicine Jars	NT(1)	Twine	NT
Millinery Bags	NT	Wrapping Paper	NT

(1) Nontaxable only if accompanies sale and cannot be reused

(2) If used as part of package

(f) FLORISTS AND NURSERIES: (1)

Cellophane	NT	Polyethylene Rolls and Bags	NT
Cellophane Bags	NT	Polyethylene & Paper Cutters	NT

Cellophane Tape	NT	Pressure Sensitive Tape	NT
Florist Tissue	NT	Ribbon and Accessories	NT
Flower Boxes	NT	Shredded Cellophane	NT
Gift Papers and Foil	NT	Twine	NT
Gummed Tape	NT	Wrapping Paper	NT
Gummed Tape Dispensers	T	Wrapping Tissue	NT
Paper Bags	NT		

(g) RETAIL DEPARTMENT STORES & SPECIALTY STORES: (Includes Book & Stationery Stores, Gift Shops, Hardware Stores, etc.)

Curtained Rod Bags	NT	Notion Bags	NT
Garment Bags	NT	Paper Cutters	T
Garment Bag Boxes	NT	Record Bags	NT
Gift Boxes	NT	Ribbon and Accessories	NT
Gift Wrap	NT	Sales Books	T
Grocery Bags	NT	Shirt Bags	NT
Gum Tape	NT	Shoe Bags	NT
Gum Tape Dispenser	T	Shopping Bags	NT
Ice Bags	NT	Shredded Cellophane	NT
Jiffy Bags	NT	Shredded Tissue	NT
Labels	NT	Signboard	T
Lampshade Bags	NT	Transparent Tape	NT
Marking Pencils	NT	Twine	NT
Millinery Bags	NT	Wrapping Paper	NT

Millinery Boxes	NT	Wrapping Tissue	NT
Nail Bags	NT		

(h) MEAT AND POULTRY PACKERS, FOOD LOCKERS AND DAIRIES: (1)

Butcher Paper	NT	Ice Cream Cans and Carton	NT
Butter Tubs	NT	Ice Cream Pails	NT
Butter Wraps	NT	Ice Cream Sticks	NT
Cellophane and Plastic Films	NT	Marking Pencils	T
Cellophane Tape	NT	Meat Boards	NT
Chic Pax	NT	Parchment	NT
Chic Trainer Trays	NT	Poly Bags	NT
Cone Bottles	NT	Pork Loin Wrap	NT
Creamer Caps	NT	Poultry Bags	NT
Cups and Tubs	NT	Sacks	NT
Egg Cartons	NT	Sausage Boxes & Liners	NT
Freezer and Locker Paper	NT	Spoons, Forks and Knives	NT
Freezer Tape	NT	Straws	T
Grocery Bags	NT	Ti-Paks and Twisters	NT
Gum Tape	NT	Twine	NT
Gum Tape Dispenser	T	Waxed Paper	NT
Ham Wraps	NT	Wrapping Paper	NT
Ice Cream Bags	NT		

(1) If the sales are made to a food locker business - it must be determined if the products are used in rendering a service, or if they are in the actual retail meat business. If they are wrapping meat for customers to be stored in their individual lockers - this is a service and the items are taxable.

(i) FARMS, ASSEMBLERS OF FARM PRODUCTS:

Box Liners	NT	Hay Baling Ties or Twine	
NT(1)			
Butter Tubs	NT	Labels	NT

Car Liners	T	Marking Pencils	T
Cellophane	NTNT	Poly Bags	NT
Cellophane Bags	NT	Poly Sheets and Rolls	
Cellophane Tape	NT	Potato Bags	NT
Chic Pak	NT	Poultry Bags	NT
Chic Trainer Trays	NT	Prepackage Trays	NT
Containers for Packaging Bees or Worms for Sale	NT(1)	Shredded Paper and Cellophane	NT
Egg Cartons	NT	Tomato Cartons	NT
Flour and Meal Bags	NT	Twine	NT
Fruit Baskets	NT(1)	Window Bags	NT
Grocery Bags	NT	Wrapping Paper	NT
Gum Tape	NT	Wrapping Tissue	NT
Gum Tape Dispensers	T		

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Statutory Authority: Code of Ala. 1975, §§40-2A-7(a)(5), 40-23-1(a)(9)d, 40-23-1(a)(9)e, 40-23-1(a)(9)(f), 40-23-1(a)(9)g, 40-23-4(a)(10), 40-23-4(a)(20), 40-23-4(a)(40), 40-23-4(a)(42)c, 40-23-31, 40-23-60(4)d, 40-23-60(4)e, 40-23-60(4)f, 40-23-60(4)g, 40-23-62(12), 40-23-62(21), 40-23-62(32), 40-23-62(34)c, 40-23-31, 40-23-83.

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