



Tax and Licensing Division
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Tax Compliance Guide

Commercial Packaging & Shipping Materials

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THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT AURORA TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE AURORA MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.

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The *Aurora Municipal Code* imposes a sales/use tax upon the purchase price paid on tangible personal property at retail. Sales tax must be charged on shipping materials that are not for resale. Commercial packaging that becomes part of the finished product is exempt per Aurora Municipal Code.

Commercial packaging materials are exempt from sales and use tax, however commercial shipping materials are excluded from the exemption. This guidance explains the difference between the two materials and how the city's sales and use tax does or does not apply.

(Exempt) Commercial Packaging Materials

The Aurora Code defines commercial packaging materials as "containers, labels, and/or cases, that become part of the finished product to the purchaser, used by or sold to a person engaged in manufacturing, compounding, wholesaling, jobbing, retailing, packaging, distributing or bottling for sale, profit or use, and is not returnable to said person for reuse. "Commercial packaging materials" does not include commercial shipping materials."

Materials would only qualify as Commercial Packaging Materials if the following criteria are met:

- ❖ The tangible personal property is transferred by retailers with and as part of the finished product.
- ❖ The tangible personal property is not returnable for reuse.
- ❖ If commercial packaging is returnable; it is taxable.
- ❖ Commercial packaging is taxable if sold to businesses performing services, e.g. moving companies, storage facilities, warehousing and dry cleaners.

(TAXABLE) Commercial Shipping Materials

The Aurora Code defines "commercial shipping materials" as "materials that do not become part of the finished product to the purchaser which are used exclusively in the shipping process. Commercial shipping materials include but are not limited to containers, labels, pallets, banding material and fasteners, shipping cases, shrink wrap, bubble wrap or other forms of binding, padding or protection."

When shipping materials are purchased for use, they are considered taxable. The purchase of the materials is exempt if they are a wholesale purchase for resale. For wholesale transactions reference the wholesale tax compliance guide.

- ❖ The definition of a "wholesale" sale includes sales that are for resale and excludes sales "to users or consumers not for resale."
- ❖ Shipping supplies that are not for resale should not be purchased with an exempt certificate, they are subject to Aurora tax.
- ❖ Shipping materials are taxable when sold to businesses performing services since they are not wholesale sales. Service businesses are the final purchaser and consumer of the shipping materials.

Examples

1. Business A is a distributor of pet supplies located in Aurora. Business B is an Aurora licensed retailer of commercial packaging and shipping materials. For mailing and shipping their delivery orders, Business A purchases from Business B: shrink wrap, sealing tape, stretch film, labels and shipping boxes/cases. Business A must pay sales tax to business B on all the purchases made since they are commercial shipping materials.
2. Business C is a manufacturer of electronic goods located in the City of Aurora which purchases their packaging and shipping materials from Business D, a licensed Aurora retailer of commercial packaging and shipping materials. Business C purchases from Business D: Pre-printed product boxes to contain the goods manufactured, shipping pallets, shipping labels, and shrink wrap. Business D should collect sales tax on the commercial shipping materials (shipping pallets, shipping labels, and shrink wrap). The pre-printed boxes to contain the manufactured electronic goods are commercial packaging materials that are part of the finished product and are therefore exempt.
3. Business E is a self-storage business located in Aurora that also sells boxes, packing tape, shrink wrap, and other moving and property storage supplies. Business F is an Aurora licensed wholesaler of commercial packaging and

shipping materials. Business E purchases from business F: shrink wrap, sealing tape, stretch film, labels, and moving boxes. Business E provides its Aurora exempt certificate to Business F and lists that sales are "wholesale" for resale by Business E. The purchases are wholesale inventory for resale and are therefore exempt.

Related Topics

Wholesale Sales

Citations

Aurora Municipal Code

§ 130-31. Definitions

§ 130-33. Legislative Intent

§ 130-156. Taxable Items

§ 130-157. Items Exempt From Taxation

§ 130-160. Responsibility for payment

§ 130-161. Schedule of Taxes

§ 130-196. Levy

§ 130-199. Use tax credit

Contact Us

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