



North Carolina Department of Revenue

Beverly Eaves Perdue
Governor

Kenneth R. Lay
Secretary

June 2, 2010

Account ID: [REDACTED]
FEIN: [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Re: Private Letter Ruling Request

Dear Mr. [REDACTED]:

This letter is in response to your letter dated March 31, 2010, wherein you requested that the North Carolina Department of Revenue ("Department") issue a private letter ruling regarding the applicability of sales and use tax to the purchase of shipping pallets used in your company's North Carolina operations. In your letter, you advised that [REDACTED] ("[REDACTED]") is not under audit review with the Department or involved in any type of legal proceedings involving shipping pallets.

You state, "We purchase single use shipping pallets, which become part of the sale of our [REDACTED] Products to our customers. The customer owns the pallets and we do not charge anything extra, nor do we require any deposits or refunds on these shipping pallets. We are not currently under audit review nor are we involved in any type of legal proceedings involving shipping pallets. [REDACTED] products are sold wholesale and packed in cases and stacked and shrink wrapped on shipping pallets when sent to our customers. The customer does not return the pallet to [REDACTED]. Our position, as to North Carolina Sales Tax is that non-returnable shipping pallets are sales tax exempt per section 6-1 and G.S. 105.164.13(23)a."

North Carolina General Statute §105-164.13(23)a. provides an exemption from sales and use tax of the following packaging items:

"Wrapping paper, labels, wrapping twine, paper, cloth, plastic bags, cartons, packages and containers, cores, cones or spools, wooden boxes, baskets, coops and barrels, including paper cups, napkins and drinking straws and like articles sold to manufacturer, producers and retailers, when such materials are used for packaging, shipment or delivery of tangible personal property which is sold either at wholesale or retail and when such articles constitute a part of the sale of such tangible personal property and are delivered with it to the customer."

It is our opinion that purchases of the pallets for the aforementioned purpose would be exempt from sales and use tax pursuant to North Carolina General Statute G.S. §105 164.13(23)(a). Please note that in the event your company engages in a pallet lease exchange agreement with a pallet vendor, the response would differ.

This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. If the facts and circumstances given are not accurate, or if they change, then the taxpayer requesting this ruling may not rely on it. If a taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the taxpayer is different in any material aspect from the facts and circumstances given in this ruling, then the ruling will not afford the taxpayer any protection. It should be noted that this document is not to be cited as precedent and that a change in statute, a regulation, or case law could void this ruling.

Very truly yours,

[REDACTED]
Administration Officer
Sales and Use Tax Division

[REDACTED]
cc: [REDACTED], Director of Sales and & Use Tax Division
[REDACTED], Assistant Director of Sales and Use Tax Division