

Pallets and Packaging Exemption

Pallets Used for Packaging Are Not Subject to Sales Tax When Accompanying Products Are Sold in Retail Sales Directly to Consumers

Sales tax is not due on pallets used to package tangible personal property being sold directly to consumers. As long as a separate charge is not billed to the consumer, a pallet accompanying the purchased product will be considered exempt packaging, regardless of how the product is attached to the pallet or if the pallet is returned to the seller following delivery of the product to the consumer.

Pallets Used for Packaging Are Not Subject to Sales Tax When Accompanying Products in Sales for Resale

Sales tax is not due on pallets used to package tangible personal property being sold to sellers for resale. As long as a separate charge is not billed to the reseller of the product, a pallet accompanying the product to the place of resale or distribution will be considered exempt packaging, regardless of how the product is attached to the pallet or if the pallet is returned to the wholesaler or manufacturer following delivery of the product to the reseller.

Pallets and Shipping Materials Used Exclusively for Transport or Only within Warehouse or Distribution Facilities Are Subject to Sales Tax

Sales tax is due on pallets that are used exclusively for transport and that do not accompany a product in a retail sale or a sale for resale. Such pallets simply facilitate transport of tangible personal property and are not used for packaging that is incidental to any sale.

For example, pallets used to transport tangible personal property between locations of the property owner, as well as those used by transportation service providers or movers of property owned by others, are subject to sales and use tax. This also applies to shipping materials such as air bags and braces used during transport to reduce shifting of the load.

Likewise, sales tax is due on pallets that are used only to move or store tangible personal property within the premises of the owner (e.g., storage, shipping or warehouse areas).

Streamlined Sales Tax Certificate of Exemption Is Used to Make Tax Exempt Purchases of Packaging

Sellers who purchase pallets and other packaging materials that qualify for the packaging exemption must present a completed Streamlined Certificate of Exemption to their suppliers. On line 4 of the exemption certificate, the purchaser should select the type of business (e.g., retail trade, manufacturing, or wholesale trade). On line 5 of the exemption certificate, the purchaser should select "other" and include the explanation "packaging used incidental to the sale of products." The [Streamlined Sales Tax Certificate of Exemption](#) is available on the Department's website.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Tenn. Code Ann. § 67-6-329(a)(13); TENN. COMP. R. & REGS. 1320-05-01-.11(1)