



## North Carolina Department of Revenue

Beverly Eaves Perdue  
Governor

David W. Hoyle  
Secretary

February 24, 2012

Account ID: [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

Attention: [REDACTED]

Re: [REDACTED]  
Private Letter Ruling Request

Dear Mr. [REDACTED]

We have your letter dated September 26, 2011, in which you request a ruling from the Department regarding your above-referenced client's North Carolina sales and use tax liability on its purchases of plastic shells.

You advise that your client, [REDACTED] ("[REDACTED]"), a privately-held bottler for [REDACTED] products, manufactures, sells, and distributes beverages including [REDACTED] brands, [REDACTED] waters, [REDACTED] teas, [REDACTED] juices, [REDACTED] isotonic, and [REDACTED] coffee drinks. [REDACTED] uses four types of plastic shells in its manufacturing and distribution processes. The shells hold 8 to 24 bottles, depending upon bottle size. [REDACTED] finished product is "merged with the shells to expedite the movement of the finished product from the manufacturing stage into the warehousing and distribution stage . . . ." The shells filled with bottles of product move from the manufacturing section of [REDACTED] operations to the warehousing and distribution sections. The shells are stacked on pallets and shrink wrapped for delivery, either directly to customers or to other warehousing locations. You advised "[t]he individual filled shells are the unit of delivery to the customer." You provided a copy of [REDACTED] price list, which shows a deposit is required for the various sizes of shells, as evidence that customers are required to return the empty shells and pallets to [REDACTED] for reuse.

Section 59-1.A of the North Carolina Sales and Use Tax Technical Bulletins provides that purchases by bottling plants of bottles, bottle caps, crates and cartons in which manufactured products are sold and delivered to retail or wholesale customers are exempt from tax. Amounts charged as deposits on beverage containers which are returnable to vendors for reuse and which amounts are refundable or creditable to vendees are exempt from sales tax, whether or not said deposits are separately charged. Based on the information provided, it is our opinion that [REDACTED]

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purchases of plastic shells it uses to deliver its products to customers and which are required to be returned to [REDACTED] for its reuse are exempt from North Carolina sales and use tax.

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.

If you have any questions, you may reach me at the number listed below.

Very truly yours,

[REDACTED]  
Administration Officer  
Sales and Use Tax Division

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