

MINNESOTA DEPARTMENT OF REVENUE

Revenue Notice # 07-03: Sales and Use Tax – Industrial Production Exemption – Taxability of Returnable Skids and Pallets

Background

Minnesota Statutes, section 297A.68, subdivision 2, paragraph (a), clause (5), provides that packaging materials, including returnable containers used in packaging food and beverage products, qualify for the exemption for materials used in industrial production.

Minnesota Rules, part 8130.5500, subpart 6, in discussing the statutory reference to packaging materials, provides that if skids and pallets are returnable, they are equipment and are taxable, and defines the term “container” as follows: “ ‘Container’ means the articles in which tangible personal property is placed for shipment and delivery, such as cartons, cans, and bags. Container does not include items that are used primarily to facilitate loading, unloading, handling, transportation, or storage of products, such as bakery delivery carts, bread trays, milk carts, and milk crates.” (Emphasis added.)

Issue

The specific issue addressed is whether returnable skids and pallets used for food and beverage products qualify for the industrial production exemption as returnable containers used in packaging food and beverage products.

Department’s Position

Pallets and skids are, by definition, portable platforms for handling, storing, or moving materials and packages (as in warehouses, factories, or vehicles).

Since, by definition and by common business practice, skids and pallets are used primarily for storage and transportation in the industrial production process, the Department of Revenue’s position is that skids and pallets are not containers as defined in the rule and thus do not qualify as exempt packaging materials. Therefore, returnable skids and pallets are subject to sales tax, regardless of whether they are used for food and beverage packaging.

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