

**M e m o r a n d u m****195.1740**

To: Los Angeles District - District  
Principal Auditor (JTQ)

Date: July 7, 1969

From: Tax Counsel (TPP:JM) – Headquarters

Subject: Ruling 49

In your memorandum of April 24, 1969, you requested our opinion regarding the taxability of various “labels” attached to your memorandum.

Our research reveals that the distinction between a taxable shipping tag and an exempt label turns primarily on the fact of use by the vendor for his own purposes, rather than for the use or benefit of the customer.

It has been argued that the shipping tag or label is attached to the nonreturnable container and sold along with the product and should be exempt as an item to be resold. However, it appears to be our position that in the case of the shipping label, the vendor is making a use of the label for a purpose other than for resale. The shipping label is not considered to be a part of or sold with the nonreturnable container since it is not an actual part of the container, does not describe the contents thereof nor relate to the product sold; whereas the “fragile” labels or those which describe the type of product, such as “glass handle with care” or the character of the product such as “Inflammable”, do describe or relate to the product sold.

These instructional or cautionary labels primarily benefit the ultimate purchaser rather than the seller, and are considered as resold with the nonreturnable container prior to use by the vendor.

We have ruled that the terms “label” and “tag” are used in the ruling in a general sense.

The fact that the price is shown on a “label” permanently affixed to the container rather than on a “tag” which is secured by a string or in a manner equally subject to ready removal does not change the tax status. In both cases the primary purpose is for the use of the vendor (Anno. 1300.20).

Of the sample labels submitted, we believe all are exempt with the exception of the following:

No. 603	Via Airmail
No. 400	Shipping Label
No. 605	Blank Perforated Labels (Depending upon the purpose for which used, these may be exempt.)
No. 903	Essentially a shipping label
No. 914	Special Delivery – Shipping Instruction
No. 915	Employee Parcel (We are uncertain as to the purpose of this label.)
No. 918	Today Sure! – (uncertain of purpose.)
No. 919	C.O.D. – Shipping Instructions
No. 924	Rush – (Uncertain of purpose.)
No. 925	First Class mail (Shipping Instructions)
No. 926	Special Handling – (Uncertain of purpose – if related to Fragile character of product, probably is exempt.)

These labels for which we have indicated an uncertainty as to purpose, may be exempt depending on whether they are primarily related to the product or are merely shipping instructions.

We are returning the labels to you as requested.

JM:ph

Attachment