



This Week in State Tax (TWIST)

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Indiana: Logistics Provider's Non-Returnable Packaging Materials Subject to Sales Tax

The Indiana Department of State Revenue determined in a Revenue Ruling that a logistics company's purchases of non-returnable wrapping materials, as well as machinery and equipment used in providing assembly and packaging services, are subject to sales and use tax. The taxpayer operates multiple distribution centers in Indiana, providing services such as supply chain management, warehousing, order fulfillment, assembly and packaging, and transportation management. The taxpayer receives customer-owned products, stores them, and prepares them for shipment using non-returnable packaging materials such as bags, boxes, bubble wrap, labels, stretch wrap, tape, pallets, and crates.

The taxpayer requested guidance on whether its non-returnable packaging materials were exempt as sales of wrapping materials and containers for use in shipping or delivery of tangible personal property, and whether its purchases of packaging equipment used to package and repackage products for customers were exempt as manufacturing machinery, tools, or equipment for direct use in production.

The Department explained that the exemption for non-returnable packaging materials applies only if the materials are used for shipping or delivering tangible personal property that the acquirer processes or services for the owner and that will be sold by the owner as part of their manufacturing or production business. The Department cited to *Faris Mailing, Inc. v. Indiana Dep't of State Revenue* to clarify that fulfillment and packaging services, such as those provided by the taxpayer, do not transform a customer's products or create a new marketable product. Therefore, the taxpayer's use of non-returnable packaging materials to ship customer-owned products did not meet the requirements to qualify for the non-returnable packaging materials exemption.

Similarly, with respect to the exemption for manufacturing machinery and equipment, the Department concluded that the taxpayer's activities of packaging and repackaging customer-owned products did not constitute direct production or manufacturing. The Department explained that merely assembling or packaging items does not transform the items into new products and, therefore, does not qualify for the manufacturing exemption.

For more information on [Revenue Ruling #2025-04-RST](#), contact [Dave Perry](#).

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