



SC PRIVATE LETTER RULING #89-15

TO: ABC

SUBJECT: Manufacturer- Packaging Material and Machine Parts
(Sales and Use)

REFERENCE: S.C. Code Ann. Section 12-35-170 (1976)
S.C. Code Ann. Section 12-35-550 (17) (1976)

AUTHORITY: S.C. Code Section 12-7-130 (1976)

SCOPE: A Private Letter Ruling is a temporary document issued to a taxpayer, upon request, and it applies only to the specific facts or circumstances related in the request. Private Letter Rulings have no precedential value and are not intended for distribution.

Questions:

1. Are purchases of steel strapping and seals by ABC excluded from the sales and use tax, pursuant to Code Section 12-35-170?
2. Are purchases by ABC of reinforced screens, located inside paint sprayer nozzles, exempt from the sales and use tax, pursuant to Code Section 12-35-550(17)?

Facts:

ABC is a manufacturer of aluminum cans, with a plant located in South Carolina. During the manufacturing process, a machine called a "cupper" presses out cups from coils of aluminum. These cups eventually become cans.

Scrap metal is a direct result of this process. The scrap is sent to a machine that compresses the metal to form bales/bundles of scrap aluminum. The strapping, in question, is used to hold these bundles together; and, the seals are used to hold the strapping together. The bundles are then sold to outside customers.

As part of the process, the cans are sent to a spraying machine, which paints the inside of the cans. Located in this machine are nozzles, which enable the paint to be sprayed evenly. Located inside these nozzles, are reinforced screens, which filter out any particles that may be in the paint. Particles, such as clumps of paint, will cause the can to be sprayed unevenly, which may lead to deterioration of the cans.

Discussion:

1. As concerns the strapping and seals, Code Section 12-35-170, which defines the terms "wholesale sale" and "sale at wholesale", reads, in part:

Such terms shall likewise include materials, containers, cores, labels, sacks or bags used for packaging tangible personal property for shipment or sale (emphasis added).

And, as stated in the "Facts", the strapping and seals, in question, are used to hold the bundles of scrap together; and, the bundles are sold to outside customers.

2. As for the screens, Code Section 12-35-550(17) exempts from the tax:

The gross proceeds of the sale of --- machines used in --- manufacturing of tangible personal property; provided that the term "machines," as used in this article, shall include the parts of such machines, attachments and replacements therefor which are used, or manufactured for use, on or in the operation of such machines and which are necessary to the operation of such machines and are customarily so used; (emphasis added).

Based upon information provided by the taxpayer, the screens meet the criteria contained within the above code section.

Conclusions:

1. Purchases of the steel strapping and seals, in question, are excluded from the sales and use tax, pursuant to Code Section 12-35-170.
2. Purchases of the reinforced screens, located inside the sprayer nozzles, are exempt from the sales and use tax pursuant to Code Section 12-35-550(17).

SOUTH CAROLINA TAX COMMISSION

s/S. Hunter Howard Jr.

S. Hunter Howard, Jr., Chairman

s/A. Crawford Clarkson Jr.

A Crawford Clarkson, Jr., Commissioner

s/T. R. McConnell

T. R. McConnell, Commissioner

Columbia, South Carolina
August 23, 1989