

M e m o r a n d u m**195.1460**

To: Mr. Larry L. Augusta

April 30, 1969

From: Joseph Manarolla

Subject: "Deposits" as defined in ruling 49

Research on previous correspondence regarding the taxability of deposits on containers is summarized as follows:

From the eight letters attached, it is quite conclusive that deposits on returnable containers have not been considered subject to tax. (Please note the underlined portions of the attached letters.)

Letter number 4, in the third paragraph, states that the deposit on returnable barrels is not subject to tax regardless of the fact tha the barrel is not returned.

In letter number 8, where the deposit is \$2 with the corresponding credit for the returne container of \$1.54, the difference of \$.46 was considered a nontaxable "demurrage" charge.

Section 0904.25 of the Audit Manual dealing with bottle deposits in grocery stores provides that a deduction for bottle deposits should be allowed. This is the standard procedure in auditing such stores where bottle deposits are involved.

In conclusion it appears that deposits on containers are not considered taxable whether forfeited or not.

JM:smb