

If a retailer accepts a coupon for which he will receive full or partial reimbursement, the value of that reimbursement must be included in the retailer's "gross receipts" that are subject to Retailers' Occupation Tax. See 86 Ill. Adm. Code 130.2125 (This is a GIL.)

March 19, 2010

Dear Xxxxx:

This letter is in response to your letter dated November 16, 2009, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

ABC would like a written opinion on the taxability of manufacturer coupons combined with a purchase using food stamps.

Here are a few examples:

Example 1

Customer purchases \$1.50 grocery item. The customer gives the cashier a \$.50 manufacturer coupon. The customer's total before tax is \$1.00 and tax is due on the gross amount of the sale.

Example 2

Same purchase as example 1 except the payment is made with food stamps/EBT card. Would this sale be exempt from sales tax or would tax be due for the item being purchased with a coupon and EBT card?

Thank you in advance for your time and assistance.

**DEPARTMENT'S RESPONSE:**

Please see the Department's regulation at 86 Ill. Adm. Code 130.2125, Trading Stamps and Discount Coupons which can be found on the Department's website. As you can see from this regulation, if a retailer accepts a coupon for which he will receive full or partial reimbursement, the value of the coupon constitutes "gross receipts" that are subject to Retailers' Occupation Tax. The coupon issuer, technically, owes the corresponding Use Tax on this value. However, most times, the issuer will incorporate language into the coupon that requires the bearer (purchaser) to assume this Use Tax liability. Consequently, the purchaser owes tax on the value of the coupon. If, however, the retailer accepts a coupon for which he will receive no reimbursement, then the coupon value does not become part of the gross receipts subject to tax.

Sales made to customers paying with food stamps are not taxable, since they are considered sales to a governmental unit. See 86 Ill. Adm. Code 130.2080. However, if part of the sale was paid for by a coupon for which the retailer received reimbursement, the value of the coupon would be subject to tax. That portion of the selling price that is paid for by food stamps is not subject to tax.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

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