

ST 16-0030 GIL 07/21/2016 GROSS RECEIPTS

When a retailer allows a purchaser a discount from the selling price on the basis of a coupon for which the retailer receives no reimbursement from any source, the amount of such discount is not included in gross receipts for calculating Retailers' Occupation Tax liability. See 86 Ill. Adm. Code 130.2125. (This is a GIL).

July 21, 2016

Dear Xxxxx:

This letter is in response to your letter dated June 27, 2016, in which you requested 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 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:

As regards Sales tax, it is my understanding that when a store accepts a manufacturer's coupon as partial payment, sales tax is charged on the full price of the item since the store will receive a value of the coupon from the manufacturer. The question I have is in regard to a "reward" given by a store (or perhaps more properly the corporation that owns the stores, in this case ABC). As a credit cardholder with ABC, I receive rewards every so often based on the dollar value of my purchases. I recently received a \$20 Reward certificate from ABC. Today, I went to a ABC store and purchased an item for \$19.97. I was surprised when they charged me \$19.97 plus tax, subtracted the \$20, and charged me a net amount of \$1.92. I am certainly not concerned about \$1.92. However, I was of the opinion that since the \$20 Reward was only good at a ABC store, it was basically a store coupon and therefore was to be treated as a price reduction.

Please provide the proper interpretation of the law and/or any rulings. If, in fact, ABC is charging sales tax improperly on these transactions, it is entirely possible than [sic] their customers have been overcharged by hundreds of thousands of dollars over the years.

Thank you for your attention to this matter. In addition to return mail, I may be reached at EMAIL and at XXX-XXX-XXXX (mobile phone).

DEPARTMENT'S RESPONSE:

Generally, store rewards programs fall within the types of situations covered by the Department's regulations at 86 Ill. Adm. Code 130.2125 entitled Discount Coupons, Gift Situations, Trading Stamps, Automobile Rebates, and Dealer Incentives, which can be found on the Department's website. As provided in this regulation, if a retailer allows a purchaser a discount from the selling price on the basis of a discount coupon for which he will receive full or partial reimbursement from any source, the retailer incurs Retailers' Occupation Tax liability on the receipts received from the purchaser and the amount of any coupon reimbursement. If, however, the retailer accepts a coupon for which he will receive no reimbursement from any source, then the coupon value does not become part of the gross receipts subject to tax.

Without viewing the coupon, we cannot make a definite determination as to whether the amount of your coupon would be subject to tax. However, your letter indicates that the store gave you a reward coupon that is only redeemable at ABC. The taxability of the transaction depends on whether the store receives any reimbursement whatsoever from any source for the purchases made through the use of the reward coupon. If ABC is not reimbursed for the amount of the coupon, the value of the coupon would not be included in gross receipts and is therefore not subject to Retailers' Occupation Tax.

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

Very truly yours,

Cara Bishop
Associate Counsel

CB:bkl