

Streamlined Sales Tax Governing Board, Inc.
Compliance Review and Interpretations Committee

INTERPRETATION/DEFINITION REQUEST

Complete each section

1. **Name(s) of Requestor(s):** Scentsy, Inc.

2. **Contact Person: Name** Timothy Larsen

Address 2701 E Pine Ave. Meridian, ID 83642

Telephone 208-895-1225

Email tlarsen@scentsy.com

3. **Agreement Section(s) involved:** _____

4. **Statement of Background Facts (be succinct):** (See attached written description)

5. **Issue:** (See attached written description)

6. **Proposed Interpretation:** (See attached written description)

7. **Is expedited consideration requested?** No X Yes **If yes, please explain**

why expedited review is requested The Company is already selling the fondue pouches and has sent a communication to the direct sales representatives in the field indicating to them that tax should not be charged when selling the pouches (in specific, applicable states with tax rates that differ for food vs candy and confectionery).

If we need to have an additional communication changing our position, we'd like to communicate that soon so that our exposure for not collecting tax on the fondue pouch sales is minimized.

A request for interpretation/definition normally requires a minimum 60-day comment period. The comment period may be shortened to 10 days if the Committee grants a request for expedited consideration. See Governing Board Rule 902(D) and (H).

8. **Date this Request is submitted:** 6/27/13

The Compliance Review and Interpretations Committee meets by teleconference at 10:00 am central every other Thursday. Their schedule can be found at: www.streamlinedsalestax.org under the meeting calendar.

Submit to: Craig Johnson, Executive Director
Streamlined Sales Tax Governing Board
4219 Hillsboro Pike, Ste 234
Nashville, TN 37215
(608) 634-6160
Craig.Johnson@SSTGB.org



6/27/2013

Attention Private Letter Rulings:

Scentsy, Inc. (EIN: 84-1624958) sells fondue chocolate pouches branded as "Velata, Fun fondue" through home parties held by its direct selling consultants (see www.velata.net). The Company believes the classification of the fondue chocolate to be tax exempt as a food item or that it is not considered candy or a confectionary subject to tax since it is not readily consumable without additional preparatory steps which cause it to be treated as a food item for home consumption. A ruling is sought for verification. The fact pattern outlining the manufacturing, distribution, and marketing of the chocolate will be covered below:

Simplicity

The raw chocolate is made in a wafer form by a Belgium chocolate manufacturer and shipped to New Jersey for insertion in a microwaveable pouch (see enclosed copy) by a third party in amounts of 170g and shipped to Scentsy distribution centers. Scentsy direct sales consultants selling under the brand *Velata* order the chocolate along with a warmer for use at a home party designed to enjoy the chocolate while encouraging participants to also purchase the chocolate and warming devices for their own use and satisfaction.

When a home party is held at which the chocolate will be enjoyed, the pouch must be microwaved for 1 minute so that the wafers are melted and able to be released in a liquid form through the pouch spout into a warming dish. The warming dish maintains the chocolate in a liquid form so that home party participants can dip and enjoy fruit, pretzels, or other items.

Authenticity

Specific instructions on the pouch read as follows:

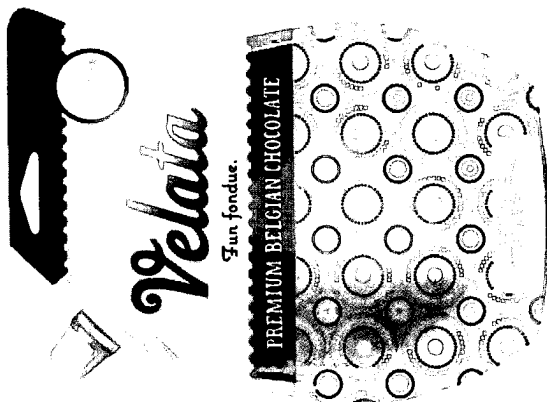
- 1) Switch on your Velata warmer
- 2) Microwave Velata pouch for one minute
- 3) Knead pouch until chocolate becomes smooth. If lumps remain, reheat for 15 seconds.
- 4) If necessary, repeat Step 3. Empty pouch contents into preheated Velata warmer.

The Company seeks confirmation of its interpretation of the fondue chocolate being classified as food for home consumption not subject to tax. Please indicate if our classification is accurate given the circumstances outlined. Please call me at 208-895-1225 if you need clarification or additional information.

Generosity

Best Regards,

Timothy Larsen, CPA
Scentsy Tax Director
Fax: 208-895-1272
2701 E Pine Ave.
Meridian, ID 83642



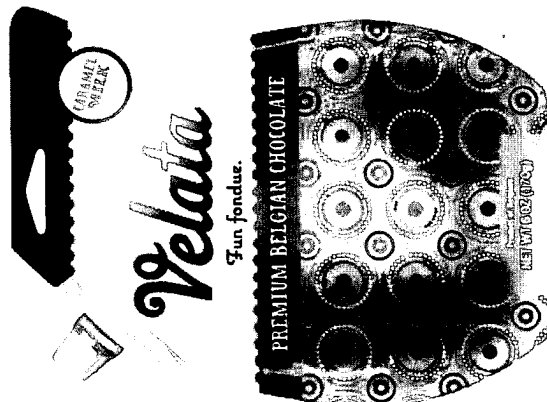
White Chocolate

A confection of billowy buttercream infused with delicate notes of vanilla. Subtle and dreamy, Velata White Chocolate elevates any moment into the sublime.



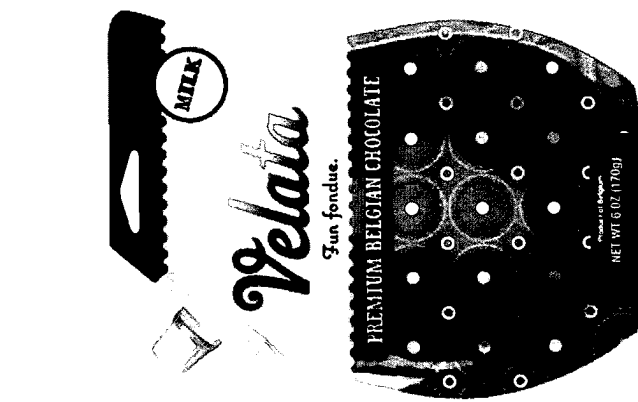
Dark Chocolate

Savor the moment with the full-bodied flavor of Velata Dark Chocolate. Deep, lush, and bold, this complex chocolate is elegance itself.



Caramel Milk Chocolate

Silky milk chocolate pairs with toasted brown sugar caramel for an over-the-top rush of sweetness. Smooth and unexpected, Velata Caramel Milk Chocolate is designed to delight.



Milk Chocolate

Velata Milk Chocolate is premium milk chocolate as it is meant to be: sweet, smooth, and creamy. It is classic, comforting, versatile, and undeniably delicious.



Moisture can affect the consistency and texture of chocolate, so use oil-based food coloring when mixing with White Chocolate.