

Rule 327 Library of Definitions

Rule 327.7 Sales Price

A. The purpose of this section of the sales price definition rule is to clarify the treatment of employee incentive program points in accordance with sales price as defined in Appendix C, Library of Definitions. Employee incentive program credit, whether measured in a dollar or point value that is allowed by the seller to its employees on a sale, is included in the total consideration for which personal property or services are sold, leased, or rented. Employee incentive program credit is not an employee discount.

Example 1: A retailer offers an employee points program that serves as an incentive for employees to reach specific sales goals established by management. Employees receive bonus points for every dollar of sales that the employees make in a given month that exceed the predetermined quota. The points accumulated by the employees can be redeemed on purchases of tangible personal property sold through the retailer's catalog or website. The allowance for the earned points on the sale to the employee is included in the consideration received by the retailer on the sale. An employee redeeming \$50 in points towards the purchase of a \$200 item must pay tax on the full selling price of \$200.

B. The purpose of this section of the sales price definition rule is to clarify the treatment of employee discounts in accordance with sales price as defined in Appendix C, Library of Definitions. Employee discounts that are not reimbursed by third parties that are allowed by the seller and taken by the employees on a sale are discounts that are not included in sales price.

Example 1: A retailer offers all its employees a 20% discount on regularly priced merchandise it sells and a 10% discount on sale merchandise. Due to the fact the employee discounts are available to all employees by virtue of their employment with the retailer, the value of the discounts allowed on sales to the employees is excludable from the sales price.