

>>> "Chumley, Loren" <lchumley@KPMG.com> 2/14/2010 9:57 AM >>>
Sherry –

This email is intended to answer additional questions that were raised regarding the CRIC Interpretative Opinion 2009 – 05. I understand that the State and Local Advisory Council (“SLAC”) is working on a paper related to the discounts. I presume that the SLAC will refer to my earlier memos that comprehensively outline the facts at issue in this Interpretation Request.

Client owns and franchises store locations worldwide and has locations in all of the SST member states. Client sells services and tangible personal property (“TPP”) at its store locations. A store is given monthly quotas for “total sales” (total sales equals sales of services and tangible personal property combined) and “total TPP sales” (total TPP sales equals sales of tangible personal property only).

If a store exceeds its total sales quota, an employee will receive one bonus point for every dollar of sales that the employee made that month. If a store exceeds its “total TPP sales” the employee will receive one bonus point for every dollar of sales that the employee made that month. If a store employee exceeds both total sales AND total TPP sales, the employee will receive double the amount of every dollar of sales that the employee made that month. If the store does not exceed either quota, no bonus points will be received.

If a store exceeds the quota for “total sales” the store manager will receive one bonus point for every dollar of the store does in total sales. If a store exceeds the quota for TPP sales, the store manager will receive four bonus points for every dollar of total TPP sales. If the store does not exceed either quota, no bonus points will be received.

Example:

Targeted Performance:

Total Sales Target for January for Store 1:	\$30,000
Total TPP Sales Target for January for Store 1:	\$ 5,000

Actual performance:

Total Sales Target for January for Store 1:	\$32,000
Total TPP Target for January for Store 1:	\$ 6,000

Store employee that made \$5,000 in sales would earn 10,000 bonus points because the store exceeded both total sales target and TPP sales target.

Manager of the store would earn 32,000 points for exceeding the Sales Target and would earn an additional 24,000 (4 times 6,000) for exceeding the TPP Sales Target.

A liability is placed on the books of the company at .005 per point. If an employee leaves the company, the employee forfeits all rights to the points and the accrual is reduced.

SL10012
3/16/10

As I mentioned in my earlier memo to the State and Local Advisory Council, Client operates retail concepts under different brand names. **Only store managers for two of Client’s brand names are eligible to redeem points for cash. Store managers at all other retail concepts are not permitted to redeem points for cash. Non-manager level employees are never permitted to redeem points for cash.**

Please let me know if you have any additional questions.

Loren L. Chumley
KPMG LLP
Principal - State and Local Tax
401 Commerce Street, Suite 1000
Nashville, TN 37219
(615) 248-5565 - Office
(615) 579-0289 - Cell
(615) 469-3041 – Fax

**** ANY TAX ADVICE IN THIS COMMUNICATION IS NOT INTENDED OR WRITTEN BY KPMG TO BE USED, AND CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN.

*****Any advice in this communication is limited to the conclusions specifically set forth herein and is based on the completeness and accuracy of the stated facts, assumptions and/or representations included. In rendering our advice, we may consider tax authorities that are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of our advice. We will not update our advice for subsequent changes or modifications to the law and regulations, or to the judicial and administrative interpretations thereof. The advice or other information in this document was prepared for the sole benefit of KPMG’s client and may not be relied upon by any other person or organization. KPMG accepts no responsibility or liability in respect of this document to any person or organization other than KPMG’s client.**

The information in this email is confidential and may be legally privileged. It is intended solely for the addressee. Access to this email by anyone else is unauthorized. If you are not the intended recipient, any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it, is prohibited and may be unlawful. When addressed to our clients any opinions or advice contained in this email are subject to the terms and conditions expressed in the governing KPMG client engagement letter.
