

Examples To Illustrate Effect of Proposed Amendment That Removes Third Party Reimbursements to Retailers from Definition of Sales Price

Example 1

- Customer A purchases a \$100 taxable item from Company B.
- Customer A pays for the \$100 item by giving Company B \$80 in cash plus a manufacturer's coupon good for \$20 off the purchase price of the item.
- Company B receives a reimbursement of the \$20 from Manufacturer X or other third party.
- Company B would only collect sales tax on the \$80 it received from Customer A.
- The \$20 reimbursement that Company B receives from Manufacturer X or other third party is not subject to tax.

Example 2

- Customer A buys a coupon redeemable at Restaurant C valued at \$30 for \$20 from Company B.
- Restaurant C receives \$15 from Company B related to Customer A's initial purchase of the \$30 coupon.
- Customer A goes to Restaurant C and purchases a \$70 meal.
- Customer A pays for the \$70 meal by giving Restaurant C \$40 in cash plus the \$30 coupon it purchased from Company B.
- Restaurant C will collect tax on the \$40 cash that Customer A pays Restaurant C and the \$20 that Customer A paid Company B to get the discount or price reduction.
- The \$30 coupon that Customer A purchased from Company B would not be subject to tax at the time of purchase and the \$15 payment from Company B to Restaurant C would not be subject to tax.

Example 3

- Customer A buys a coupon redeemable at Restaurant valued at \$30 for \$20 from Company B.
- Restaurant C receives \$15 from Company B related to Customer A's initial purchase of the \$30 coupon.
- Customer A goes to Restaurant C and purchases a \$25 meal.
- Customer A pays for the \$25 meal by giving Restaurant C the \$30 coupon it purchased from Company B.
- Restaurant C will collect tax on the \$20 Customer A paid to Company B to get the discount or price reduction.
- The \$30 coupon that Customer A purchased from Company B would not be subject to tax at the time of purchase and the \$15 payment from Company B to Restaurant C would not be subject to tax.

Example 4

- Individual X buys a coupon redeemable by Restaurant C valued at \$30 for \$20 from Company B.
- Individual X gives the coupon to Customer A.
- Restaurant C receives \$15 from Company B related to Individual X's initial purchase of the \$30 coupon.
- Customer A goes to Restaurant C and purchases an \$80 meal.

Examples To Illustrate Effect of Proposed Amendment That Removes Third Party Reimbursements to Retailers from Definition of Sales Price

- Customer A pays for the \$80 meal by giving Restaurant C \$50 in cash plus the \$30 coupon it received from Individual X.
- Restaurant C will collect tax on the \$50 cash that Customer A pays Restaurant C and the \$20 that Individual X paid Company B for the coupon that allows the discount or price reduction.
- The \$30 coupon that Individual X purchased from Company B would not be subject to tax at the time of purchase and the \$15 payment from Company B to Restaurant C would not be subject to tax.

Example 5

- Individual A purchases a \$100 gift certificate from Company X.
- Individual A gives the gift certificate to Individual B.
- Individual B purchases a \$150 taxable item from Company X.
- Individual B pays for the \$150 item by giving Company X the \$100 gift certificate it received from Individual A plus \$50 in cash.
- Company X would collect sales tax on the \$150.