

*** DRAFT – NOT FOR FILING ***

5703-9-15 Sales and use tax; coupons, coupon books, and gift certificatescards .

(A) For the purposes of this rule:

- (1) "Coupon" means a certificate, ticket, card or other document which entitles the bearer thereof to a specified discount on the purchase of tangible personal property or services. Discounts may include either fixed amount or percentage reductions from the cost of merchandise or free merchandise with the purchase of other items.
- (2) "Coupon book" means a bound collection of coupons that are redeemable by a merchant or several designated merchants and includes, such things as dining or entertainment discount clubs.
- (3) ~~"Gift certificate" means a document which has a face value toward the purchase of tangible personal property or services~~card" means a document, card, certificate, or other record, whether tangible or intangible, that may be redeemed by a consumer for a dollar value when making a purchase of tangible personal property or services

(B) Coupons published by a vendor or on behalf of a vendor in a newspaper, handbill, magazine, or by any method and distributed to the public without charge, other than the cost of the newspaper or magazine, and for which the redeeming vendor receives no reimbursement, are ~~considered to be~~ discounts allowed prior to ~~the consummation of~~ the sale and are not part of the taxable price.

(C) Coupons that are published by a manufacturer, distributor, wholesaler, or any other person, and for which the vendor is reimbursed by the manufacturer, distributor, or wholesaler upon surrender of the coupons, are ~~redeemed by a consumer, included in the price for sales tax purposes is the selling price of such property or services before application of the coupon amount.~~ If the vendor enhances the value of a coupon, the amount of the unreimbursed enhancement will be treated in the manner described in paragraph (B) of this rule. For example:

- (1) A customer clipped a manufacturer's coupon from the Sunday newspaper for detergent in the amount of "\$0.50 off". The customer then went to the local grocery store and purchased the same detergent for \$7.99 and utilized the coupon. The price for the detergent is \$7.99 because the local grocery store will be reimbursed for the amount on the coupon.
- (2) Same facts as above, except that the local grocery store offers to double the coupon. Under these facts, the price of the detergent is \$7.49 because the vendor offered the additional discount based on the use of the coupon.

(D)

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- (1) Coupons, coupon books, and gift ~~certificates~~cards which are sold, either by the vendor which anticipates redeeming them or by any corporation, association, or other person for use among a variety of vendors, ~~are~~is not to be treated as the sale of tangible personal property and no tax should be collected on such sales. For example, a gift card purchased by a consumer at a chain restaurant that can be utilized at any of those restaurants and not just a specific location would not be a sale of tangible personal property, however, it is included in the price when the gift card is redeemed by the consumer.
- (2) When a purchased coupon, coupon book, or gift ~~certificates~~cards is used to purchase taxable tangible personal property or services, the price for tax purposes is the selling price of such property or services before application of the discount or gift ~~certificates~~cards amount. For example:
 - (a) For \$25 a consumer purchases a coupon that entitles the consumer to \$50 worth of tangible personal property or services. The vendor should collect sales tax on the full selling price if the tangible personal property or service received by the consumer is taxable. If the consumer receives \$50 worth of merchandise or services, the price for sales tax purposes is \$50.
 - (b) A consumer purchases \$70 of taxable tangible personal property or services. The consumer redeems a gift card in the amount of \$50 toward this purchase. Sales tax should be calculated on \$70 and the \$50 gift card must be applied to the purchase after the sales tax was added.
- (E) The dollar value of a gift card that is not sold by a vendor or purchased by a consumer is not part of the taxable price if the vendor is not reimbursed or compensated by a third party for all or part of the gift card value. For the purposes of this rule, a gift card is not sold by a vendor or purchased by a consumer if it is distributed pursuant to an awards, loyalty, or promotional program. Past and present purchases of tangible personal property or services by the consumer shall not be treated as consideration exchanged for a gift card. For example:
 - (1) A consumer belongs to a loyalty program that provides a member a \$5 gift card after each \$50 purchase. The consumer spends \$60 and receives a \$5 gift card. On the next purchase, the consumer uses the \$5 gift card to pay for \$25 worth of taxable tangible personal property or a taxable service. Sales tax should be calculated on \$20 as the \$5 gift card is not a purchased gift card and is not part of the price for purposes of calculating sales tax.