

GIL-2008-22

September 16, 2008

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Re: Taxation of NTIA Coupon

Dear XXXXXXXXXXXX:

This letter is in response to your inquiry of August 14, 2008. In your letter, you ask about the tax treatment regarding the Department of Commerce's National Telecommunications and Information Administration (NTIA) program that enables each household to receive two coupons that are each good for up to \$40 off the purchase of a television converter box. As an example, you state that a converter costing \$59.99 would only cost \$19.99 to the ultimate purchaser. Your question is whether the coupon reduces the taxable base of the converter. In other words, in the example, does tax apply to the full \$59.99 or to the \$19.99?

Under Colorado sales tax law, the tax would apply to the full amount of \$59.99. Colorado Regulation (39-) 26-102.7(a)(3) defines "purchase price" as:

Any consideration valued in money, such as trading stamps or **coupons** whereby the manufacturer **or someone else** reimburses the retailer for part of the purchase price and other media of exchange. (emphasis added).

Thus coupons redeemed by any party (other than the retailer) would be gross receipts to the retailer and be included in the tax base for the transaction. In your example, the tax would apply to the full \$59.99 price.

Please note that the Department of Revenue administers state and state-collected city and county sales taxes and special district sales and use taxes, but does not administer sales and use taxes for self-collected home-rule cities and counties. Visit our web site at [www.revenue.state.co.us](http://www.revenue.state.co.us) for more information about state and local sales taxes.

Pursuant to state law, the Department is required to make publish redacted responses to requests for general informational letters. Your letter requesting this informational letter

is not made public. See, §24-35-103.5(13), C.R.S. The regulation governing informational letters is available on our web site at: <http://www.revenue.state.co.us/taxstatutesregs/3921reg24-35-103.5.html>. I enclose a proposed redacted version of this letter. Please contact me within 60 days from the date of this letter if you have any questions, comments or concerns about the redacted letter.

I hope this is helpful. Please feel free to contact me if you have any questions.

Sincerely,

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