

GIL-2008-17

April 17, 2008

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Sent via Regular Mail and email: tammy.goldberg@wal-mart.com

Re: Federally Funded Coupon Taxability

Dear XXXXXXXXX:

This letter is in response to your inquiry of April 15, 2008. In your letter, you ask about the tax treatment regarding the Digital-to-Analog Converter Box Coupon Program.

As I understand your description of the Program, the Federal government offers coupons worth \$40 each to be used towards the purchase of up to two converter boxes per eligible household. As an example, you indicated that a converter costing \$49.99 would only cost \$9.99 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 \$49.99 or to the \$9.99?

Under Colorado sales tax law, the tax would apply to the full amount of \$49.99. 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 \$49.99 price.

Thank you for your question. Should you require any clarification concerning this opinion, please contact me at your convenience.

Sincerely,

Timothy T. Weber
Deputy Director

Cc: Director, Taxpayer Service
Director, Field Audits