



Coupons & Discounts

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Wyoming Department of Revenue

The Department of Revenue recognizes two types of coupons and discounts, those that are reimbursed and those that are not. Manufacturer’s coupons are a familiar example of a reimbursed discount. In exchange for honoring the coupon from a purchaser the vendor seeks reimbursement from the manufacturer for the face value of the coupon plus a handling fee, and essentially is made whole. Unreimbursed discounts are usually represented by in-store coupons or store loyalty cards as an incentive to purchase their product(s). To determine whether a discount may be taken before sales tax is collected we look to the total consideration being rendered.

* The additional \$1.50 is consideration paid by the manufacturer and is included in the taxable sales price.

Other examples of a reimbursed discount/coupon are those discounts given with the renewal of a wireless telecommunications service. For example, the undiscounted sales price of the wireless device is \$499 but the manufacturer is offering an instant rebate of \$300, making the cost to the purchaser only \$199. Like the magazine illustration above, the wireless retailer will receive \$499 in consideration for the sale of the device. Thus sales tax is calculated based on that amount and not the \$199 received directly from the customer. This is also true for mail-in rebates, electronic rebates and similar.

Reimbursed Discounts/Coupons

When a reimbursed discount/coupon is accepted by a vendor, the customer pays the reduced price but the vendor will receive the coupon’s value from the third party, e.g. the manufacturer. In other words the vendor receives the full amount, albeit from two parties. In this case since the vendor has not actually reduced the total consideration he receives for the sale, tax is collected based on the undiscounted sales price, not the customer’s out of pocket amount. To illustrate:

Please note, the only reimbursed discount that does not follow this pattern is a manufacturer’s rebate offered and accepted at the time of purchase on a motor vehicle. Historically the legislature has excluded this from the definition of sales price and the Department has maintained that consistency to the present.

Magazine sales price	\$4.99
Manufacturers Coupon	<u>\$1.50</u>
Customer pays	\$3.49
<i>Amount subject to sales tax</i>	<i>\$4.99*</i>

Unreimbursed Discounts/Coupons

When a vendor provides a non-reimbursed discount or coupon he is essentially lowering the price he is willing to accept for his products or services. Like sale prices, unreimbursed discounts and coupons are used as an incentive to attract and retain customers. Because the vendor has reduced

his sales price and the difference will not be paid by a third party, tax is calculated and collected based on the discounted sales price paid by the customer. To demonstrate:

Magazine sales price	\$4.99
In-store coupon	<u>\$1.50</u>
Customer pays	\$3.49
<i>Amount subject to sales tax</i>	\$3.49

When considering the tax consequence of reimbursed and unreimbursed discounts individually it is relatively straight forward. However some retailers have begun comingling discounts on their store loyalty cards. So, one cannot presume that all discounts offered on a store loyalty card are unreimbursed discounts. For example some grocery store chains allow customers to “load” electronic coupons to their account and then automatically redeem those discounts at checkout, with a swipe of the card. It has been verified that some of these discounts are unreimbursed store loyalty discounts but others are actually reimbursed manufacturer’s coupons. When this the case each discount is evaluated to determine the amount subject to tax. Using our previous magazine example above to illustrate:

Magazine sales price	\$4.99
Card loaded, In-store coupon	\$1.50
Card loaded, Manufacturer’s Coupon	<u>\$1.50</u>
Customer pays	\$1.99
<i>Amount subject to sales tax</i>	\$3.49**

**Here again, the \$1.50 is paid by the manufacturer and is consideration that is included in the taxable sales price.

Lastly we will address social media coupons (e.g.groupon.com and LivingSocial). The deals by these companies are often for \$50 of merchandise or services but the purchaser

only pays a portion of that amount to purchase the deal, say \$30. In these situations the retailer is essentially lowering the sales price of his merchandise or services. When there is an unreimbursed reduction of the sales price of a product by a retailer, the retailer generally collects and remits tax based on that reduction. [W.S. 39-15-101(a)(xiii)]

To acknowledge this unreimbursed price reduction, the Department administers tax on social media coupons as follows:

When a taxable product or service is purchased and the price the customer paid for the offer is disclosed on the certificate, sales tax will be calculated by the retailer based on the discounted amount. For example, a customer makes an \$80 restaurant purchase and uses a \$50groupon certificate (purchased for \$25) as partial payment and pays the remainder with another method. Provided the certificate indicates the sales price paid by the customer, the retailer may calculate tax on the actual consideration received, or \$55. But when thegroupon certificate does not indicate the purchase price along with the face value then the retailer must calculate tax on the consideration amount that the payments bear, or \$80.

Further discussion regarding gift cards and gift certificates is available in our bulletin by the same name, on our website:

<http://revenue.wyo.gov>

Please be advised that this bulletin addresses issues in general terms and cannot be appropriate or applicable in all situations. If your situation is markedly different or you have concerns about this issue, please do not hesitate to contact this department. You can do so by e-mail directed to: **DOR_taxability@wyo.gov**

Supporting Authority -

W.S. 39-15-101(a)(viii)

"Sales price":

(A) Shall apply to the measure subject to sales tax and means the total amount or consideration, including cash, credit, property and services for which personal property or services are sold, leased or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

(I) The seller's cost of property sold;

(II) The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller and any other expense of the seller;

(III) Charges by the seller for any services necessary to complete the sale other than delivery and installation charges;

(IV) Delivery charges;

(V) Installation charges;

(VI) Repealed by Laws 2007, Ch. 10, 2.

(B) Shall not include:

(I) Discounts, including cash, terms or coupons which are not reimbursed by a third party, which are allowed by a seller and taken by a purchaser on a sale;

(II) Interest, financing and carrying charges from credit extended on the sale of personal property or services, if the amount is separate stated on the invoice, bill of sale or similar document given to the purchaser; and

(III) Any tax legally imposed directly on the consumer which is separately stated on the invoice, bill of sale or similar document given to the purchaser.

(C) "Sales price" shall include consideration received by the seller from third parties if:

(I) The seller actually receives consideration from a party other than the purchaser and the consideration is directly related to the price reduction or discount on the sale;

(II) The seller has an obligation to pass the price reduction or discount through to the purchaser;

(III) The amount of the consideration attributable to the sale is fixed and determinable by the seller at the time of the sale of the item to the purchaser; and

(IV) One (1) of the following criteria is met:

(1) The purchaser presents a coupon, certificate or other documentation to the seller to claim a price reduction or discount where the coupon certificate or documentation is authorized, distributed or granted by a third party with the understanding that the third party will reimburse any seller to whom the coupon, certificate or documentation is presented;

(2) The purchaser identifies himself to the seller as a member of a group or organization entitled to a price reduction or discount. A preferred customer card that is available to any patron shall not constitute membership in such a group; or

(3) The price reduction or discount is identified as a third party price reduction or discount on the invoice received by the purchaser or on

a coupon, certificate or other
documentation presented by
the purchaser.