

The sale of a discount card is the sale of an intangible and is not generally subject to tax. See 86 Ill. Adm. Code 130.101. (This is a GIL.)

June 26, 2009

Dear Xxxxx:

This letter is in response to your email dated May 12, 2009, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

COMPANY, is requesting a written opinion on the sales taxability of Prescription Savings Club cards. These cards have two benefits. They are mainly a discount card for prescriptions that are designated in the formulary. You can also use the card to get a 10% rebate or credit on any purchase when private label items are purchased.

A yearly fee is applied when this card is purchased. Is this initial purchase of the card considered taxable? And are the annual fees taxable?

Attached is information regarding this plan.

Thank you for your assistance.

**DEPARTMENT'S RESPONSE:**

The sale of a discount card is not considered a sale of tangible personal property. The sale of such a card represents the sale of an intangible, and since the Illinois sales tax laws are triggered upon the transfer of tangible personal property, no sales tax liability attaches to such a sale. See 86 Ill. Adm. Code 130.101. However, if the purchase of a discount card entitles the customer to receive an item of tangible personal property without any separate payment or to receive a service and tangible personal property is transferred incident to that service without any separate payment, then

the sale of the discount card may result in either Retailers' Occupation Tax liability, Service Occupation Tax liability or Use Tax liability, depending upon the serviceman's activities. See 86 Ill. Adm. Code 140.101.

For information regarding the tax liabilities of retailers when the discount cards are used by the cardholders, please see 86 Ill. Adm. Code 130.2125 of our regulations, entitled "Trading Stamps and Discount Coupons."

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Richard S. Wolters  
Associate Counsel

RSW:msk