

If a seller receives a reimbursement or rebate for a discount, the amount of that reimbursement or rebate is considered part of the gross receipts received by the seller and is subject to Retailers' Occupation Tax. If a seller provides a discount to a purchaser and does not receive a reimbursement or rebate for that discount, only the (discounted) amount received by the seller is taxable. See 86 Ill. Adm. Code 130.2125. (This is a GIL.)

February 26, 2010

Dear Xxxxx:

This letter is in response to your letter dated January 19, 2010, 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 and its affiliates respectfully requests formal guidance regarding the taxability of the Energy Star Appliance Rebate Program discussed below.

### **Facts**

Illinois has a total of \$12.379 million that will be available in rebates to Illinois residents purchasing new energy efficient appliances. This program is being funded by Illinois' share of the \$300 million made available as part of the American Recovery and Reinvestment Act of 2009. The Illinois program is being operated by the Illinois Department of Commerce and Economic Opportunity, Bureau of Energy and Recycling ('DCEO').

In order to coincide with Earth Day, the DCEO will offer an appliance rebate program that will take place between April 16 and April 25, 2010. The program will provide rebates on sales of clothes washers, dishwashers, refrigerators, freezers, and room air conditioners through the retail channel as a 15% point-of-sale markdown at each participating retailer. Retailers will collect specific program data (customer zip codes,

product models sold, total incentives paid) and submit the information as a company for reimbursement from the State on a monthly basis.

## **Issue**

Should COMPANY charge sales tax on in-store sales of Energy Star qualified appliances based on the gross (sales prices of the appliance) or net (sales price of the appliance less the applicable rebate) transaction amount?

For example, the Illinois program will provide for a 15% point-of-sale markdown on sales of Energy Star qualified refrigerators. Upon the sale of a qualifying refrigerator, with a retail price of \$1,000, should COMPANY charge sales tax based upon the \$1,000 retail price, or on the \$850 net price (\$1,000 retail price less the \$150 Energy Star markdown (rebate))?

Thank you for your time and consideration with respect to this issue. Please contact me if you have any questions or need any additional information.

## **DEPARTMENT'S RESPONSE:**

Gross receipts subject to Retailers' Occupation Tax are defined as all the consideration actually received by the seller, except traded-in tangible personal property. See 86 Ill. Adm. Code 130.401. If a seller receives a reimbursement or rebate for a discount, the amount of that reimbursement or rebate is considered part of the gross receipts received by the seller. This amount is fully taxable. See 86 Ill. Adm. Code 130.2125. If a seller provides a discount to a purchaser and does not receive a reimbursement or rebate for that discount, only the (discounted) amount received by the seller is taxable. See 86 Ill. Adm. Code 130.2125.

The Illinois Energy Efficient Appliance Rebate Program will be administered and managed by Midwest Energy Efficiency Alliance on behalf of the State of Illinois Department of Commerce and Economic Opportunity. The rebates that retailers receive under the program from Midwest Energy Efficiency Alliance are considered part of the gross receipts received by the retailer and are fully taxable. See 86 Ill. Adm. Code 130.2125.

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

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