

Persons who engage in the business of transferring tangible personal property upon the redemption of trading stamps shall be deemed to be engaged in the business of selling such tangible personal property at retail and shall be liable for and shall pay the tax imposed by the Retailers' Occupation Tax Act on the basis of the retail value of the property transferred upon redemption of such stamps. See 86 Ill. Adm. Code 130.2125. (This is a GIL.)

November 10, 2011

Dear Xxxxx:

This letter is in response to your email dated December 14, 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 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:

We are a STATE corporation headquartered in CITY, STATE-1. Our customers are grocery store retailers and we provide marketing programs for them. The type of marketing programs we run for them are 'shop and redeem' programs. For example, Grocery Store X advertises a program where for each \$10 that you spend with them they will give you a stamp which the customer collects and affixes into a book or on to a sheet. When enough stamps are collected they can be redeemed in the store for cookware that is being displayed in the stores. The cookware is typically given 'free' in exchange for the stamps, but it could carry a nominal value (i.e., .01 cents). We make our money from the retailers by selling them the program all inclusive of marketing and point-of-sale materials (i.e., store banners, window posters, easel stands to display the cookware), the actual redemption stamps, the stamp books, and the cookware. We typically deliver the entire program directly to the customers [sic] distribution centers via common carrier, so rarely would store inventory in the state with a contracted third party warehouse.

You can learn more about our company by visiting our website.

My question relates specifically to the sales and use tax implications of this transaction between the retailer and the customer upon redemption.

I have done some research and it appears that this type of transaction is best explained in Title 86, Part 130, Section 130.2125, Trading Stamps, Discount Coupons, Automobile Rebates and Dealer Incentives. Specifically the section on Trading Stamps seems to be the most applicable.

I would appreciate your review of the transaction and if applicable a General Information Letter regarding this transaction. If there is another place that is applicable that I should be looking at please let me know.

I hope I have provided you with enough information. If you have any questions you can reach me.

Thank you in advance for your assistance. I look forward to receiving your response.

DEPARTMENT'S RESPONSE:

Please see 86 Ill. Adm. Code 130.2125 which is a Department regulation concerning trading stamps and coupons. This regulation states, in part, as follows:

a) Trading Stamps. Persons who engage in the business of transferring tangible personal property upon the redemption of trading stamps shall be deemed to be engaged in the business of selling such tangible personal property at retail and shall be liable for and shall pay the tax imposed by the Retailers' Occupation Tax Act on the basis of the retail value of the property transferred upon redemption of such stamps. When merchandise is paid for partly in cash and partly by surrendering a trading stamp valued at a specific amount, the total amount (including the value of surrendered trading stamp) is subject to Retailers' Occupation Tax.

A retailer transferring tangible personal property for trading stamps must pay Retailers' Occupation Tax and collect Use Tax on the basis of the retail value of the property transferred upon redemption of such stamps. The advertised or stated price or value is the "retail value" of the item.

I hope this information is helpful. If you require additional information, please visit our website at 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:mks