

When a retailer allows a purchaser a discount from the selling price on the basis of a coupon for which the retailer receives no reimbursement from any source, the amount of such discount is not include in gross receipts for calculating Retailers' Occupation Tax liability. See 86 Ill. Adm. Code 130.2125. (This is a PLR).

June 15, 2012

Dear:

This letter is in response to your letter dated March 13, 2012, in which you requested a Private Letter Ruling. 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.

Review of your request disclosed that all the information described in paragraphs 1 through 8 of Section 1200.110 appears to be contained in your request. This Private Letter Ruling will bind the Department only with respect to COMPANY1, identification number X, and COMPANY2, identification number X for the issue or issues presented in this ruling, and is subject to the provisions of subsection (e) of Section 1200.110 governing expiration of Private Letter Rulings. Issuance of this ruling is conditioned upon the understanding that neither COMPANY1 or COMPANY2 nor a related taxpayer is currently under audit or involved in litigation concerning the issues that are the subject of this ruling request. In your letter you have stated and made inquiry as follows:

COMPANY1 would like to ensure that it is applying the correct Retailer's [sic] Occupation (Sales) Tax ('ROT') treatment to its PROGRAM. Thank you for taking the time to review this matter.

To the best of our knowledge, the Department has not previously ruled on this issue, and there are no other authorities that contradict how this program is treated today for ROT purposes. We trust that PROGRAM information described below will be treated as confidential and proprietary to the COMPANY without public disclosure.

**Facts**

COMPANY1 is headquartered in STATE and its subsidiary, COMPANY2 has retail stores throughout Illinois and the United States. The retail stores primarily sell clothing, apparel, footwear and house wares. The Illinois ROT identification number for COMPANY1 is X; COMPANY2's identification number is X. Both COMPANY1 and COMPANY2 are under ROT audit for the periods 1/20XX through 12/20XX.

PROGRAM is a promotional program where a customer receives a COUPON for purchases made during a defined period. The coupon represents a fixed dollar value

that may be used to reduce the price of a future purchase if redeemed in a specified time period. COMPANY1 and COMPANY2 do not receive any reimbursement from vendors related to the rebate.

The following example describes the program in detail:

A customer receives \$X in COUPON for every \$X spent during a defined promotional period. The customer can use the COUPON during a redemption period (or 'Bounceback' coupon period, since the customer 'bounces back' to the store) to reduce the sales price on a transaction. Approximately one week passes between the promotion and the Bounceback coupon periods.

The Bounceback coupon period runs for approximately X weeks. If the COUPON is not redeemed during the specified Bounceback period, the coupon officially expires. The COUPON is not legal tender and a customer cannot receive cash back when redeeming the coupon. It is estimated that less than one-half of the coupons are redeemed. Below is a table representing the COUPONS transactions:

Description	Transaction 1 – Promotion Event	Transaction 2 – Bounceback Event
Sales Price for Merchandise	\$ 50.00	\$ 50.00
Coupon redeemed		\$ 10.00
Net Purchase Price paid by Customer	\$ 50.00	\$ 40.00
Taxable Sales Price	\$ 50.00	\$ 40.00

The customer pays sales tax on the full transaction price of \$X during the promotional event. During the Bounceback event, the customer pays sales tax on the net purchase price (total sales price less the COUPON redeemed) of \$X. When taken together, the customer pays and the COMPANY receives \$X in the two transactions, and the \$X is subject to ROT.

### **Discussion and Analysis**

ILCS § 120/1 'Selling Price' means the consideration for a sale valued in money whether received in money or otherwise, including cash, credits, property other than as herein after [sic] provided, and services, but not including the value of or credit given for traded in tangible personal property of like kind and character.

Ill Admin. Code86 [sic] §130.2125(b) Retailer's [sic] Discount Coupon: If a retailer allows a purchaser a discount from the selling price on the basis of a discount coupon for which the retailer receives 'no reimbursement from any source', the amount of such discount is not subject to sales tax. Manufacturer's coupons where the retailer receives full or partial reimbursement for the coupons, are taxable on both the receipt from the buyer and the amount of the reimbursement.

ILCS § 120/1 'Gross receipts' from the sales of tangible personal property at retail means the total selling price or the amount of such sales, as hereinbefore defined.

COUPON is a retailer discount coupon for tax purposes based on the above definitions, as the value of the COUPON reduces the sales price and is not subject to tax. The COUPON itself, like other retailer coupons, has an expiration date and no cash surrender value.

**Confirmation**

Please confirm that COMPANY1 and COMPANY2 should be treating the COUPON as a retailer discount coupon that reduces selling price and is not subject to sales tax.

We appreciate your assistance in clarifying this matter. Please contact Mr. Z at X or by email at X if you have any questions.

**DEPARTMENT'S RULING:**

We believe that the PROGRAM falls within the types of situations covered by the Department's regulations at 86 Ill. Adm. Code 130.2125 entitled Trading Stamps and Discount Coupons which can be found on the Department's website. As provided in this regulation, if a retailer accepts a coupon for which he will receive full or partial reimbursement from any source, the value of the coupon constitutes "gross receipts" that are subject to Retailers' Occupation Tax. If, however, the retailer accepts a coupon for which he will receive no reimbursement from any source, then the coupon value does not become part of the gross receipts subject to tax.

Your letter indicates that the customer does not purchase the COUPON but rather the store gives the customer a COUPON in an amount based upon the customer's purchase amount (e.g., \$X COUPON for every \$X spent during a defined promotional period) as a way to entice the customer to "bounceback" to the store to make additional purchases. In addition to the information provided in your letter, you confirmed in a subsequent e-mail that the stores operated by COMPANY2 do not receive any reimbursement whatsoever from any source for the purchases made through the use of COUPON.

Based upon the information you have provided, we believe that you are correct that the value of the COUPONS that are redeemed should be treated as non-reimbursed discount coupons and do not become part of the gross receipts subject to Retailers' Occupation Tax liability.

The factual representations upon which this ruling is based are subject to review by the Department during the course of any audit, investigation, or hearing and this ruling shall bind the Department only if the factual representations recited in this ruling are correct and complete. This Private Letter Ruling is revoked and will cease to bind the Department 10 years after the date of this letter under the provisions of 2 Ill. Adm. Code 1200.110(e) or earlier if there is a pertinent change in statutory law, case law, rules or in the factual representations recited in this ruling.

I hope this information is helpful. If you have further questions concerning this Private Letter ruling, you may contact me at 782-2844. If you have further questions related to the Illinois sales tax laws,

ST 12-0006-PLR

June 15, 2012

Page 4

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,

Terry D. Charlton  
Chairman, Private Letter Ruling Committee