

INFORMATION BULLETIN #58

SALES TAX

DECEMBER 2002

(Replaces Bulletin #58 dated October, 1991)

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the appropriate statutes, rules and court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the subject matter covered herein.

SUBJECT: Price Discounts

REFERENCES: IC 6-2.5-1-5, IC 6-2.5-2-2, IC 6-2.5-4-1, 45 IAC 2.2-2-1, 45 IAC 2.2-2-3, 45 IAC 2.2-2-4, 45 IAC 2.2-2-5, 45 IAC 2.2-4-1

In any taxable sale of tangible personal property, the amount subject to tax is the amount received by the merchant for the sale of the property. The amount received by the merchant for the sale of any property includes all elements of consideration. Consideration means all items of value such as cash, property or forgiveness of debt.

If time discounts (e.g. 2% discount for payment within ten days) or cash discounts (e.g. discount for cash) are given by a merchant, only the actual amount received by the merchant is subject to the collection of tax. If the consumer is not actually given the discount, then tax must be collected on the full price paid.

Coupons presented to a retail merchant only lower the amount of tax if the merchant is not reimbursed for the coupon. Typically, a manufacturer's coupon entitles a merchant to reimbursement for the face value of the coupon, thus the taxable amount paid for a product purchased with a manufacturer's coupon is the price of the product before applying the coupon.

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Coupons for which the merchant is not reimbursed reduce the price subject to tax because by accepting the coupon the merchant has discounted the price of the product.

Example 1: Dishwashing soap is sold for \$1.00 per bottle. The customer gives a \$.20 manufacturer's coupon to the merchant. The amount subject to sales tax is \$1.00 because the merchant receives \$.80 from the customer and is reimbursed \$.20 from the manufacturer.

Example 2: Cat food is \$1.00 for a two pound bag. The merchant gives out coupons that reduces the price of cat food to \$.75. The merchant would collect sales tax on \$.75 because there is no reimbursement for the \$.25 reduction.

Example 3: Dishwashing soap is sold for \$1.00 per bottle and the customer presents a \$.20 manufacturer's coupon. The merchant advertises that he will double the value of all manufacturer's coupons for the week. The customer pays \$.60 for the product. The manufacturer reimburses the merchant \$.20 for the coupon. The merchant is not reimbursed for the \$.20 for doubling the value of the coupon. The amount subject to sales tax is \$.80.



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