**Opinion Letter**

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| **Letter Number:** | **O-2008-006** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Analog-to-Digital Converter Box Coupon Program** |
| **Keywords:** |  |
| **Approval Date:** | **03/17/2008** |

**Body:**

Office of Policy & Research  
  
  
March 17, 2008

XXXXXXXXX  
XXXXXXX  
XXXXXXXXXXXXXXX  
  
Re: Converter Box Coupon Program  
  
  
The purpose of this letter is to respond to your letter dated February 8, 2008. In your letter you stated:

The Department of Commerce's National Telecommunications and Information Administration, a department of the federal government, is administering the Digital-to-Analog Converter Box Coupon Program as authorized in the Digital Television Transition and Public Safety Act of 2005. Between Jan. 1, 2008, and March 31, 2009, eligible U.S. households can request up to two coupons, worth $40 each, to be used towards the purchase of up to two coupon-eligible converter boxes.

You ask if the coupon that is issued by the federal government and presented at the time of purchase by the consumer reduces the taxable gross receipt of the transaction.  
  
The Department has reviewed your request for guidance on this matter. The reimbursement by the Department of Commerce's National Telecommunications and Information Administration to the xxxxxx (retailer) is a part of the taxable gross receipt and is subject to Kansas retailer’s sales tax.  
  
The Department’s rationale is as follows:  
  
Retailers’ sales tax is collected on the gross receipt of the retailer.  
  
In cases in which the retailer is reimbursed by a third party, the sales tax is calculated on the amount the consumer paid the retailer and the amount that retailer is reimbursed.  
  
The following subsection (d) of K.A.R 92-19-16a explains:

(d) If a retailer accepts a coupon for a taxable product and will later be reimbursed by a manufacturer or other party for the reduction in selling price, the total sales value, including the coupon amount, shall be subject to sales tax. If a retailer accepts a coupon and will not be reimbursed for the reduction in selling price, the reduction shall be considered a discount, and the taxable amount shall be the net amount paid by the customer after deducting the value of the coupon. If a retailer enhances the value of a manufacturer’s coupon, the amount of the unreimbursed enhancement shall be treated as a discount that is not subject to sales tax.

Sincerely,  
  
  
Mark D. Ciardullo  
Tax Specialist  
  
  
**Date Composed: 10/15/2008 Date Modified: 10/15/2008**