



STATE BOARD OF EQUALIZATION

September 12, 1967

Dear Mrs.

In your letter of August 11, 1967, you ask a question relating to the tax status of merchandise that you were to receive by virtue of a gift coupon.

The facts, as we understand them, are that you received a coupon from the manufacturer of "P" entitling you to a free bottle of the product upon presentation of the coupon to a dealer. When you sought to redeem your coupon, the dealer charged you for the soap, plus sales tax, and then refunded the price of the soap.

We assume that the manufacturer reimbursed the dealer by redeeming the coupon for cash.

The sales tax is an excise tax on the retailer for the privilege of selling. The amount upon which he is obligated to pay tax (reimbursed by the consumer) is categorized as taxable gross receipts. Section 6012 of the Sales and Use Tax Law, pamphlet enclosed, defines taxable gross receipts to include, "(b) All receipts, cash, credits and property of any kind." The coupon, in this case, has a value determined by the retail selling price of the soap (in this instance 39 cents). Therefore, when the dealer accepts the coupon as payment for the soap, he is accepting an item of value (since he can redeem the coupon for cash from the manufacturer) which is properly includable in his taxable gross receipts.

Should you have further questions, please feel free to write.

Very truly yours,

T. P. Putnam
Tax Counsel

By A. Wells Petersen

AWP :ph [lb]