

STATE BOARD OF EQUALIZATION
OFFICE CORRESPONDENCE

490.0320

To: REDACTED TEXT

Date: July 17, 1953

From: W. W. Mangels

Re: Trading Stamps

This is in answer to your memoranda of June 12 & July 13.

We understand that this store issues green trading stamps, the cost of which it deducts as a cash discount. You inquire whether a deduction for returned merchandise should be allowed in connection with the following transaction.

A customer purchases a \$2.00 article paying 6 cents sales tax reimbursement and is also given green trading stamps which cost the store 5 cents. A few days later the merchandise is returned by the customer who is unable to return the stamps. The store therefore charges her 10 cents for keeping the stamps, returning to the customer \$1.96.

We believe the case of Eisenberg's White House, Inc. v. State Board of Equalization, 72 Cal. App. 2d 8, can be regarded as holding that the amount of cash discount is the amount paid by the retailer for the S & H Green Trading Stamps. Therefore, it is the view of the legal staff that, in effect, the original selling price of the article was \$2.01 and unless that amount is refunded to the customer it is our opinion that the deduction for returned merchandise should be allowed.

W. W. Mangels

WWM:ja