

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA  
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)  
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December 19, 1978

P--- M. R---  
Certified Public Accountant  
P--- T---  
XXXX S. --- Avenue  
---, CA XXXXX

Attn: Mr. J--- G---

Gentlemen:

This is in response to your letter of November 6, 1978. We apologize for the delay in our reply. You have inquired as to how sales tax applies in certain situations where coupons are tendered to a retailer at the time of purchase of tangible personal property.

Under the California sales tax law, tax applies to the "gross receipts" from the sale of tangible personal property sold at retail. Revenue and Taxation Code Section 6012 defines "gross receipts" to mean the total amount of the sale price of the retail sales of retailers, valued in money, whether received in money or otherwise. Discounts allowed and taken are not includable in gross receipts.

If a retailer distributes coupons to the public or same segment of the public without charge, tax does not apply to the discount allowed upon redemption of the coupon. It is immaterial that the coupon may contain language such as "This coupon is worth \$2.00 toward the purchase of" or "This coupon is good for \$2.00 off." In either case, the reduction in price is treated as a discount, and tax does not apply to the amount of the discount.

The application of the tax is different where the retailer redeems coupons issued by a manufacturer's or by another third party. Generally, the measure of tax includes the amount actually collected from the consumer as well as amount collected by the retailer from the manufacturer or other third party.

With respect to gift certificates, tax does not apply to the sale of the certificates themselves. However, upon redemption of the gift certificates the value of the certificate is includable in the measure of tax. In other words, gift certificate transactions are not treated as discount transactions and the gift certificate is regarded as a credit memorandum.

Very truly yours,

Gary J. Jugum  
Tax Counsel

j:alicetilton

bc: --- --- – District Administrator