

103 KAR 31:080. Coupons or redemption certificates.

RELATES TO: KRS 139.010

STATUTORY AUTHORITY: KRS 131.130

NECESSITY, FUNCTION, AND CONFORMITY: To interpret the sales and use tax law as it applies to coupons and redemption certificates.

Section 1. Definition. As used in this administrative regulation, a coupon or redemption certificate (excluding premium or trading stamps) means a certificate in writing vesting in a customer upon the purchase of certain tangible personal property the right to a reduction in the sales price of the property.

Section 2. A retailer shall include within his gross receipts the exchange value of coupons or redemption certificates taken from his customers if the retailer redeems such certificates from his wholesaler or other person. The exchange value shall be included in gross receipts under either of the following methods:

(1) The retailer may include the exchange value in his gross receipts for the period during which the coupons or redemption certificates were taken from his customers; or

(2) The retailer may include the exchange value in his gross receipts for the period during which the coupons or redemption certificates are redeemed from his wholesaler or other person.

(3) In either event the retailer shall collect from customers the tax applicable to the coupon or redemption certificate exchange value.

Section 3. The exchange value of coupons or redemption certificates issued by the retailer (and not by his wholesaler or other person) and which are taken by the retailer from his customers are "cash discounts" and will not be included in the retailer's gross receipts. The retailer shall not collect tax from customers on the exchange value of such coupons or redemption certificates.

Section 4. Coupons or redemption certificates which represent combinations of those described in Sections 2 and 3 of this administrative regulation shall be taxable on that portion of the coupon or redemption certificate value which may be redeemed from the retailer's wholesaler or other person. The "cash discount" portion of such coupons or redemption certificates is not subject to tax. (SU-68; 1 Ky.R. 470; eff. 3-12-1975; Am. 17 Ky.R. 1137; eff. 11-21-1990; TAm eff. 6-9-2009; TAm eff. 6-22-2016.)