



**COLORADO**

**Department of Revenue**

Taxation Division

Office of Tax Policy Analysis

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GIL 08-017

April 17, 2008

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Re: Federally Funded Coupon Taxability

Dear XXXXXXXX:

This letter is in response to your inquiry of April 15, 2008. In your letter, you ask about the tax treatment regarding the Digital-to-Analog Converter Box Coupon Program.

As I understand your description of the Program, the Federal government offers coupons worth \$40 each to be used towards the purchase of up to two converter boxes per eligible household. As an example, you indicated that a converter costing \$49.99 would only cost \$9.99 to the ultimate purchaser. Your question is whether the coupon reduces the taxable base of the converter. In other words, in the example, does tax apply to the full \$49.99 or to the \$9.99?

Under Colorado sales tax law, the tax would apply to the full amount of \$49.99. Colorado Regulation (39-) 26-102.7(a)(3) defines "purchase price" as:

Any consideration valued in money, such as trading stamps or coupons whereby the manufacturer or someone else reimburses the retailer for part of the purchase price and other media of exchange. (emphasis added).

Thus coupons redeemed by any party (other than the retailer) would be gross receipts to the retailer and be included in the tax base for the transaction. In your example, the tax would apply to the full \$49.99 price.

Thank you for your question. Should you require any clarification concerning this opinion, please contact me at your convenience.

Sincerely,

Timothy T. Weber  
Deputy Director

Cc: Director, Taxpayer Service  
Director, Field Audits