

1999 DRAFTING REQUEST

Bill

Received: 10/13/98

Received By: shoveme

Wanted: As time permits

Identical to LRB:

For: Robert Ziegelbauer (608) 266-0315

By/Representing: Adrienne

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact: Vicki Gibbons, DOR
6-3873

Alt. Drafters:

Subject: Tax - sales

Extra Copies:

Topic:

Sales tax on coupon purchases

Instructions:

See Attached. With respect to sales w/ manufacturer's coupons, change law so that consumer pays sales tax on reduced price. This is the case for purchases made with in-store coupons.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	shoveme 12/9/98 jkreye 12/30/98	ygeller 12/30/98		_____			State
/1			martykr 01/5/99	_____	lrb_docadmin 01/5/99	lrb_docadmin 01/13/99	

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1/13/99

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/?	shoveme			_____			

FE Sent For:

<END>

Ramirex, Adrienne

From: Ramirex, Adrienne
Sent: Wednesday, September 30, 1998 2:47 PM
To: Shovers, Marc

Marc -
Bob thought we
would need to
re-define the
definition of
gross receipts.
Let us know
what you
think.
Thanks

Marc -

Bob is interested in offering legislation relating to sales taxes for coupon purchases. Currently only items purchased with in-store coupons are taxed at the reduced price. If a product is purchased and the price is reduced because of a manufacturer coupon, the consumer pays sales tax on the original price versus the reduced price.

Bob would like to change the law so that the consumer pays the sales tax on the reduced price, no matter which type of coupon was used.

I have received some information from Vicki Gibbons, CPA Staff Specialist (6-3873) of the Department of Revenue, however she is out of the office for the remainder of the week.

Any ideas you might have to accomplish this would be appreciated, as well as any problems you could foresee that this proposal could create besides loss of revenue.

Thank you,

Adrienne

OFFICE of STATE REP. BOB ZIEGELBAUER

STATE CAPITOL:

PO Box 8953; Madison, WI 53708-8953

**** NEW ** TOLL FREE OFFICE PHONE NUMBER:**

1-888-529(LAW)-0025

PHONE: (608) 266-0315

FAX: (608) 266-0316 or (608) 282-3625

E-MAIL: BOB.ZIEGELBAUER@LEGIS.STATE.WI.US

STAFF: LUANNE.KOSTELIC@LEGIS.STATE.WI.US

ADRIENNE.RAMIREX@LEGIS.STATE.WI.US

HOME PAGE: www.legis.state.wi.us/assembly/asm25.html

DISTRICT:

1213 S. 8th Street, PO Box 325

Manitowoc, WI 54221-0325

PHONE: (920) 684-6783 OR (920) 684-4362

make the same
change to the
definition of
"sales price"



Sales and Use Taxation

Q 15:18

kota, Ohio, except for watercraft and new motor vehicles, Pennsylvania, Rhode Island, if auto is traded for auto or boat for boat, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, and Wyoming. Other states impose their sales and use taxes on the total sales price.

Q 15:17 How do discounts, rebates, and other price reductions affect the determination of the sales and use tax base?

A variety of items reduce the final price a purchaser must pay. These final price reduction items include cash, volume, and trade discounts; manufacturers' coupons and rebates; and retailers' cash discounts and coupons. The sales price determination of these items varies not only among the states but within a state as well. Cash, volume, and trade discounts are usually excluded from the sales price subject to tax, if paid by the seller and not by a third party and paid as part of the sales transaction. Retailer discounts are included in the taxable sales price in California, Colorado, Florida, Hawaii, Missouri, New Mexico, and Pennsylvania, but not trade discounts. For manufacturers' coupons and rebates, the majority of the states with a sales tax include the price reduction in a product due to a manufacturer's coupon in the price for sales tax purposes. The states that include the price discount associated with manufacturer's coupons in the price subject to sales tax are not included in Colorado, Louisiana, Minnesota, New Mexico, Texas, Utah, Vermont, West Virginia, Wisconsin, and Wyoming. Retailer's cash discounts to consumers are excluded from the price subject to sales tax. Discounts are included in the taxable sales price in a limited number of states: Illinois, New Mexico, Oklahoma, Pennsylvania, and Rhode Island. Retailers' coupons are included in the taxable sales price in Illinois, New Mexico, Oklahoma, Pennsylvania, Rhode Island, and Wisconsin.

General

Q 15:18 Which states include personnel training costs as part of the taxable price of tangible personal property?

Frequently, vendors will provide personnel training in the use of tangible personal property purchased. When a single charge is made for the entire transaction, most states will view the transaction as primarily a taxable sale with an incidental provision of nontaxable

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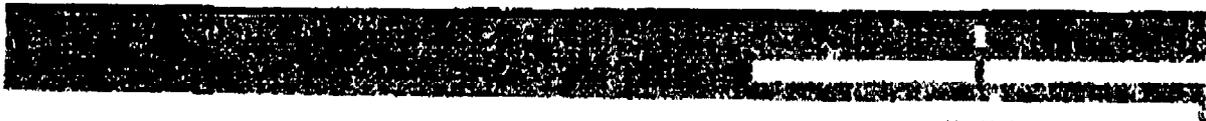
(d) Cash discounts. The actual selling price of taxable tangible personal property is the measure of the tax due under the terms of the Limited Sales, Excise, and Use Tax Act. Bona fide cash discounts taken by the buyer at the time of the sale pose no problem, as they are never a part of the sales price and are never in the tax base. However, if cash discounts are taken after the amount of the sales have been used in the measure of the tax, such cash discounts may be deducted from the measure of tax liability for the reporting period in which such discounts are taken in which instance the retailer seeking an adjustment in his tax liability must show he has adjusted *pro rata* the reimbursement tax collected, if any, from his purchasers. Cash discounts so taken and becoming the basis of a tax adjustment between retailers, their purchasers, and/or the State of Texas, must be substantiated in the accounts, invoices, and records of such retailers to the satisfaction of the comptroller's office.

(e) Coupons. When coupons or certificates are accepted by retailers as a part of the selling price of any taxable item, the value of the coupon or certificate is excludable from the tax as a cash discount, regardless of whether the retailer is reimbursed for the amount represented by the coupons or certificate.

Source: The provisions of this 3.301 adopted to be effective January 1, 1976, amended to be effective October 1, 1986, 13 TexReg 3991.

TEXAS

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Texas

J Paul
Coupon / Sales Tax
Bill File

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1 AN ACT ...; relating to: sales taxes for coupon purchases.

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Analysis by the Legislative Reference Bureau

Under current law, the state imposes a retail tax upon all retailers at the rate of ~~five percent~~ of the gross receipts from the sale of goods. The retailer generally passes the tax on to the consumer. Under current law, when a consumer purchases an item with an in-store coupon, the consumer pays the passed-on sales tax on the reduced price. However, when a consumer purchases an item with a manufacturer's coupon, the consumer pays sales tax on the original price.

Under this bill, a manufacturer's coupon or rebate is treated the same as an in-store coupon. Therefore, when a consumer purchases an item using a manufacturer's coupon, the consumer pays the passed-on sales tax on the reduced price rather than the original price.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 77.51 (4) (b) 1. ^X of the statutes is amended to read:

3 77.51 (4) (b) 1. Cash or term discounts, or manufacturer's coupons or rebates,
4 allowed and taken on sales;

5 SECTION 2. 77.51 (15) (b) 1. ^X of the statutes is amended to read:

**SUBMITTAL
FORM**

**LEGISLATIVE REFERENCE BUREAU
Legal Section Telephone: 266-3561
5th Floor, 100 N. Hamilton Street**

The attached draft is submitted for your inspection. Please check each part carefully, proofread each word, and sign on the appropriate line(s) below.

Date: 1/5/99

To: Representative Ziegelbauer

Relating to LRB drafting number: LRB-0568

Topic

Sales tax on coupon purchases

Subject(s)

Tax - sales

1. **JACKET** the draft for introduction _____
in the **Senate** _____ or the **Assembly** (check only one). Only the requester under whose name the drafting request is entered in the LRB's drafting records may authorize the draft to be submitted. Please allow one day for the preparation of the required copies.

2. **REDRAFT.** See the changes indicated or attached _____.
A revised draft will be submitted for your approval with changes incorporated.

3. Obtain **FISCAL ESTIMATE NOW**, prior to introduction _____.

If the analysis indicates that a fiscal estimate is required because the proposal makes an appropriation or increases or decreases existing appropriations or state or general local government fiscal liability or revenues, you have the option to request the fiscal estimate prior to introduction. If you choose to introduce the proposal without the fiscal estimate, the fiscal estimate will be requested automatically upon introduction. It takes about 10 days to obtain a fiscal estimate. Requesting the fiscal estimate prior to introduction retains your flexibility for possible redrafting of the proposal.

If you have any questions regarding the above procedures, please call 266-3561. If you have any questions relating to the attached draft, please feel free to call me.

Joseph T. Kreye, Legislative Attorney
Telephone: (608) 266-2263

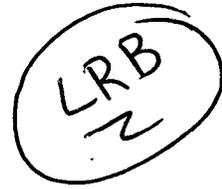
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State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
P. O. BOX 2037
MADISON, WI 53701-2037



LEGAL SECTION (608) 266-3561
REFERENCE SECTION (608) 266-0341
FAX (608) 266-5648

STEPHEN R. MILLER
CHIEF

February 26, 1999

MEMORANDUM

To: Representative Ziegelbauer

From: Joseph T. Krcyc, Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **1999 AB 90** (LRB 99-0568/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

February 24, 1999

TO: Marc Shovers
Legislative Reference Bureau

FROM: Yeang-Eng Braun *YEB* (AB 90)
Department of Revenue

SUBJECT: Technical Memorandum on LRB 0568/1, Relating to Sales and Use Tax Treatment of Purchases Made with Manufacturers' Coupons or Rebates

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language needs to be developed and costs allocated in the following manner:

	<u>Chapter 20</u>	<u>Amount</u>	<u>FTE Positions</u>
One-time cost	20.566 (1)(a)	\$54,100	

If you have questions regarding this technical memorandum, please contact Pat Lashore at 266-3347.

YEB:JS:ds
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