

**NEW JERSEY DIVISION OF TAXATION
REGIONAL OFFICES**

| Office | Address | Counties |
|--------------|---|------------------------------------|
| Bridgewater | 1011 U.S. Highway 22 2nd Floor P.O. Box 6818 Bridgewater, NJ 08807 | Hunterdon Morris Somerset |
| Randolph | 121 Center Grove Road Randolph, NJ 07869 | Sussex Warren |
| Cherry Hill | 11 West Ormond Ave. 1st Floor Cherry Hill, NJ 08002 | Camden Gloucester |
| Turnersville | 390 Hurffville-Cross Keys Rd. Center Sq. Shopping Ctr. Sewell, NJ 08080 | Salem Burlington* |
| Fair Lawn | 2208 Route 208, South Fair Lawn, NJ 07410 | Bergen Passaic |
| Newark | 1100 Raymond Blvd. Room 103, 1st. Floor Newark, NJ 07102 | Essex Hudson Union |
| Sea Girt | 2100 Highway 35 Old Mill Plaza Suite C Sea Girt, NJ 08750 | Middlesex Monmouth Ocean |
| Vineland | 80 South Main Rd. Suite 112 Vineland, NJ 08360 | Atlantic Cape May Cumberland |
| Northfield | 1915-A New Road (Rt. 9) Northfield, NJ 08225 | |
| Mid-Jersey | University Office Plaza 3635 Quakerbridge Rd. CN-269 Trenton, NJ 08646 | Burlington* Mercer |
| TRENTON | TAXATION BUILDING 50 Barrack Street, 1st Floor Lobby Trenton, NJ 08646 | Mercer |

*Burlington County is served by both the Mid-Jersey and Turnersville offices.
For forms or information please visit one of our Regional Offices or call (609) 292-6400 or Toll Free 1-(800) 323-4400.
write to us:
Taxpayer Services
New Jersey Division of Taxation
50 Barrack St. CN-269
Trenton, NJ 08646-0269

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COUPONS, DISCOUNTS and New Jersey Sales Tax

New Jersey Division of Taxation
John R. Baldwin, Director
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Tax Tips for Coupon Redemption

COUPONS, DISCOUNTS and New Jersey Sales Tax

As a consumer, retailer, or manufacturer, you may be familiar with which products and services are subject to New Jersey sales tax and which are exempt. But what about sales . . . promotions . . . coupon offers? If an item is not being sold at full price, what is sales tax based on—the regular price or the reduced price? This brochure answers some of the most common questions about New Jersey's 6% sales tax as it applies to coupons and discounts.

COUPON SALES

There are two distinct types of coupons used by consumers—**vendor coupons** and **manufacturer coupons**. These two types of coupons are treated differently for sales tax purposes.

VENDOR COUPONS

These coupons are issued by vendors and can be redeemed only in specific places of business. **The vendor receives no reimbursement from another party for accepting these coupons.**

When this type of coupon is used, the value of the coupon is not considered part of the taxable receipt. Sales tax is due on the discounted price only.

EXAMPLE 1: A store issues a coupon entitling the holder to purchase a product for 10c less than the regular sales price. The retailer would bill as follows:

| | |
|---------------------------|------------|
| Regular price | 60c |
| Store coupon | <u>10c</u> |
| Taxable receipt | 50c |
| Sales tax at 6% rate | <u>03c</u> |
| Amount due from purchaser | 53c |

COUPON SALES

EXAMPLE 2: A store issues a coupon entitling the holder to receive two items for the price of one. The retailer would bill as follows:

| | |
|----------------------------|------------|
| Regular price for one item | 60c |
| Store coupon for free item | <u>60c</u> |
| Taxable receipt | 04c |
| Sales tax at 6% rate | <u>04c</u> |
| Amount due from purchaser | 64c |

MANUFACTURER COUPONS

These coupons are issued either by the manufacturer or by the vendor in cooperation with the manufacturer. **The vendor is reimbursed by the manufacturer for accepting these coupons from the customer.** These "manufacturer cents off" coupons are commonly found in magazines, newspapers or weekend circulars.

The value of a manufacturer coupon is considered part of the taxable receipt. The coupon value reflects a payment or reimbursement to the vendor by the manufacturer. When this type of coupon is used, tax is due on the full regular price of the item being purchased.

EXAMPLE 3: A store issues a coupon labeled "mfr.," entitling the holder to purchase an item for 10c less than the regular purchase price. The retailer would bill as follows:

| | |
|---------------------------|------------|
| Regular price | 60c |
| Sales price at 6% rate | <u>04c</u> |
| | 64c |
| Manufacturer coupon | <u>10c</u> |
| Amount due from purchaser | 54c |

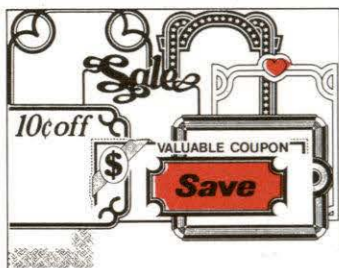


COUPONS,

COUPON SALES

EXAMPLE 4: A manufacturer issues a coupon entitling the holder to purchase an item from a retailer for 10¢ less than the regular purchase price. The retailer would bill as follows:

| | |
|---------------------------|-----|
| Regular price | 60¢ |
| Sales tax at 6% rate | 04¢ |
| | 64¢ |
| Manufacturer coupon | 10¢ |
| Amount due from purchaser | 54¢ |



Where a manufacturer or a vendor issues a coupon involving a reimbursement but does not disclose that fact to the purchaser on the coupon or in an accompanying advertisement, the vendor will collect from the purchaser only the tax due on the reduced price, but will be required to pay the tax applicable to the entire receipt, i.e. the amount of the price paid and the reimbursement received from the manufacturer.



DISCOUNTS,

DISCOUNTS

(No coupon required)

Whenever a taxable item is purchased "on sale," and no coupon is required for the discount, sales tax is due on the **discounted price only**.

EXAMPLE: Mike and Dot purchase a television set at Holliday's Department Store. The set is on sale for \$350, which is \$100 off the regular price. No coupon is required for the discount. Mike and Dot pay \$21 sales tax on the \$350 sale price.



FREE OFFERS (no coupon required)—When a store or manufacturer offers a taxable item free with no coupon required, customers should not be charged sales tax on the item.

The store issues a New Jersey Resale Certificate (Form ST-3) to its supplier and pays no sales tax when purchasing a taxable item for resale. But if the store then gives the item to customers free without requiring a coupon, the store becomes liable for 6% use tax based on the wholesale price of the item.

NEW JERSEY

DISCOUNTS

(No coupon required)

"BUY ONE, GET ONE FREE" OFFERS (no coupon required)—If no coupon is required to obtain two taxable items for the price of one (or three for the price of two, etc.), sales tax should be charged only on the amount actually paid.

EXAMPLE: Rick buys two paperback books, each costing \$3.95, on sale two for the price of one. No coupon is required for the discount. Rick pays 24¢ tax on the total amount that he is actually charged for the two books, \$3.95.

EARLY PAYMENT DISCOUNTS—If a retailer offers discounts to customers who pay within a specified period of time after acquiring the item, the retailer must charge sales tax on the **full price** of the item, not on the discounted price.

EXAMPLE: Henry purchases a lawnmower from his local hardware store, where he has a charge account, for \$300. The hardware store offers a 2% discount to customers who pay their account within 30 days after billing. Henry pays the hardware store \$312 within 30 days. The \$312 consists of \$300 for the lawnmower minus the 2% discount of \$6, or \$294, plus \$18 sales tax on the full purchase price of \$300 for the lawnmower.



SALES TAX

TRADE-INS

Another kind of discount is a trade-in. A trade-in involves giving the retailer a used product in exchange for credit against the purchase of a new product. When the item traded is of the same kind as the item being purchased and the retailer intends to resell the traded item, the sales tax should be charged on the net sale price, which is the price to the customer after allowing for the credit.

EXAMPLE: Helen buys a new diamond ring that sells for \$1,200. The jeweler accepts her old ring as a trade-in and gives her a \$200 credit. Helen pays sales tax on the net sale price of \$1,000 (\$1,200 sale price less \$200 credit = \$1,000).



EXAMPLE: Ted buys a used car from a dealer that has a sale price of \$3,600. The dealer accepts Ted's old car as a trade-in and gives him a \$700 credit. Ted pays sales tax of \$174 on the net sale price of \$2,900 (\$3,600 sale price minus \$700 credit = \$2,900).

REBATES

The **full price** of an item before a rebate is subject to sales tax.

NOTE: Sales tax is not collected on the full price of an item when a trade-in is involved because the vendor will collect that portion of the sales tax when the traded-in item is resold. It is important to note that the law permits this exception to the sales tax act only when the trade-in item is of the same kind as the item being purchased and the retailer intends to resell the item traded in.