

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

WWW.WINDOW.STATE.TX.US



September 12, 2008

Dear Retailer:

As you may know, television stations will broadcast in digital format only beginning Feb. 18, 2009. This means some customers with analog televisions will need to purchase a converter box to view television programs. Coupons to reduce the cost of the converter box are available from the Digital-to-Analog Converter Box Coupon program of the U.S. Department of Commerce.

The U.S. Department of Commerce's National Telecommunications and Information Administration is administering the Digital-to-Analog Converter Box Coupon Program as authorized in the Digital Television Transition and Public Safety Act of 2005. Between Jan. 1, 2008, and March 31, 2009, eligible U.S. households can request up to two coupons, worth \$40 each, to be used towards the purchase of up to two converter boxes. Information regarding the program may be viewed at www.ntiadv.gov. We would like to take this opportunity to remind retailers of the proper method for calculating the amount of Texas sales tax due when the purchaser presents a coupon.

When a retailer sells a taxable item for a set amount and accepts a coupon for a specified amount, then the retailer should collect Texas state sales tax and applicable local sales taxes on the sales price of the item *after* deducting the coupon amount. This treatment applies to manufacturer coupons, store coupons or government-issued coupons, such as the Digital-to-Analog Converter Box Coupon.

Therefore, when a converter box coupon is presented by the purchaser to the seller at the time of sale, it reduces the sales price of the converter box by \$40. As a result, the taxable amount is reduced by \$40. For example, if the price of a converter box is \$49.99, the \$40 coupon will reduce the taxable amount to \$9.99.

For more information, please see Comptroller Rule §3.301, *Promotional Plans, Coupons, Retailer Reimbursement*. The rule is available on our Web site at www.window.state.tx.us/taxinfo/sales/.

We hope this information is helpful. If you have any questions concerning this provision or your tax collection responsibilities, please e-mail us at tax.help@cpa.state.tx.us or call toll free at (800) 252-5555, or in Austin at (512) 463-4600.

Sincerely,

A handwritten signature in black ink that reads "Bryant Lomax". The signature is fluid and cursive.

Bryant Lomax
Manager, Tax Policy Division