

New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau

TSB-A-96 (75) S
Sales Tax
December 5, 1996

STATE OF NEW YORK

COMMISSIONER OF TAXATION AND FINANCE

ADVISORY OPINION

PETITION NO.S960909B

On September 9, 1996, a Petition for Advisory Opinion was received from George H. Palmatier, P.O. Box 343, Ghent, New York 12075.

The issue raised by Petitioner, George H. Palmatier, is whether sales tax is required to be collected on the sale of coupon certificate books.

Petitioner submits the following facts.

Petitioner recently started a home based business. It consists of selling coupon certificate books for resale in fundraising situations or to businesses to be used as incentives. The coupon certificate book is entitled "Coupons on Demand." The book contains twenty (20) coupon certificates, plus two bonus coupon certificates. Each coupon certificate has a ten dollar (\$10) value and entitles the book owner to obtain manufacturer issued coupons for national brand name grocery products to be redeemed at grocery stores. To redeem this coupon certificate, the book owner is required to complete the certificate by filling in his or her name, address, telephone number and the registration number printed on the back cover of the book. Also, the book owner is required to choose exactly 40 different grocery products from the coupon selection list and list them numerically, according to their product codes. These certificates are then sent in a self-addressed envelope by the book owner to a processing center where the coupons requested are mailed back to the book owner. The coupons can then be redeemed at a store for the national brand name grocery products shown on the coupon certificate.

Petitioner purchases these coupon certificate books from a marketing firm that sponsors the "Coupons on Demand" Program and supplies these books to distributors.

Section 1105 of the Tax Law imposes tax on receipts from the sale of tangible personal property and certain enumerated services.

In this case, Petitioner sells a coupon certificate book that contains advertising in the form of coupon certificates. The book contains twenty-two (22) coupon certificates that must be filled out by the book owner to obtain the national brand grocery coupons of their choice. Since the coupon certificate book has as its primary purpose the right to obtain coupons in order to obtain discounts at grocery stores, the sale of the coupon book to or by Petitioner is not considered a taxable sale.

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Therefore the receipts from the sales of the coupon certificate book to or by Petitioner are not subject to the sales and compensating use tax.

DATED: December 5, 1996

/s/
JOHN W. BARTLETT
Deputy Director
Technical Services Bureau

NOTE: The opinions expressed in Advisory Opinions are limited to the facts set forth therein.