



Guideline

Sales Tax Discounts and Coupons

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Discounts

North Dakota law imposes sales tax on the gross receipts of sales (both cash and credit) after discounts.

An example of the proper calculation of sales tax on discounted sales is shown below.

Sale amount	\$ 100.00
Less 10% discount	<u>(10.00)</u>
Net sale amount	\$ 90.00
Tax due (5%)	<u>4.50</u>
Discounted amount due	\$ 94.50

If a remittance reflects a lump sum amount for a discounted sale and sales tax due, you will need to calculate the actual discounted sale amount by dividing the payment by 1.05 (105%).

Remittance	\$ 94.50
Divide by 1.05	<u>1.05</u>
Actual discounted sale	\$ 90.00

Coupons

When a manufacturer, processor, or wholesaler issues a coupon entitling a purchaser credit on an item, tax is due on the "prediscount" price of the goods sold. An example of this situation is shown below.

Example:

Regular price	\$ 100.00
Plus sales tax at 5%	<u>5.00</u>
Subtotal	\$ 105.00
Credit for manufacturer's coupon	<u>(5.00)</u>
Amount due from customer	\$ 100.00

In this situation, tax is due on the full amount because the retailer is essentially selling the goods for \$100.00; \$95.00 from the purchaser and \$5.00 from the supplier of the coupon.

When a retailer issues a coupon, an actual cash discount results and sales tax is due on the discounted amount. An example of a retailer's coupon is shown below.

Example:

Regular price	\$ 100.00
Credit for retailer's coupon	<u>5.00</u>
Net Sales Price	\$ 95.00
Plus Sales tax at 5%	<u>4.75</u>
Amount due from customer	\$ 99.75

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