



State Board of Equalization

News Release

Michelle Steel, Member

3rd District – Rolling Hills Estates

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Michelle Steel: Federally Subsidized Converter Boxes Only Partially Taxable

Board of Equalization Member Michelle Steel, Southern California's elected taxpayer advocate, reminds the state's nearly 16,000 registered California sellers of electronic devices that retail sales of Digital Television Converter Boxes are only partially taxable, when a government coupon is used.

The Board of Equalization (BOE) will send official notices to the state's 16,000 retailers in the coming weeks outlining the specific applications of sales tax to alleviate confusion when a consumer uses a government coupon in the purchase of a converter box.

Televisions that are not digital and use an antenna will not work after February 17, 2009. This broadcast change is a requirement of the federal government. As a result, the US Department of Commerce, National Telecommunications and Information Administration (NTIA), is making available coupons worth \$40 to consumers who request them on a first come first served basis. BOE has received inquiries regarding what amount of sales tax applies when a coupon is used in the purchase of a converter box.

Sales of the television converter boxes are taxable retail sales. But, only a portion of the gross receipts from the sale of the converter boxes is subject to tax. The amount subject to tax is only the amount paid by the consumer. The portion paid by a United States government agency, through the use of a coupon, is a nontaxable sale to the United States. Sales tax does not apply to the United States government or its agencies.

An example of how the law applies follows: A converter box is sold for \$49.99. The purchaser presents a coupon issued by the NTIA in the amount of \$40. After the deduction of the coupon, the selling price to the purchaser is \$9.99. Tax applies to the \$9.99. The \$40 coupon is a non taxable sale to the United States. If no coupon is used, and the purchaser pays the full \$49.99, sales tax applies to the \$49.99 sales price.

If a retailer has inappropriately collected the tax and remitted it to BOE, the retailer should request a refund and return the excess tax collected to consumers. Consumers who believe they have been overtaxed should take their receipt to the retailer and request a refund of the amount of tax that was overpaid.

Elected to the Board of Equalization in 2006, Michelle Steel serves as the country's highest ranking Korean-American elected official. She represents the more than 8.5 million taxpayers of the Third Board of Equalization District, including the counties of Los Angeles, Orange, San Diego, Riverside, Imperial and San Bernardino.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes.

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[Special Notice](#)

[Regulation 1614, Sales to the United States and its Instrumentalities](#)