

555.0000 TRADING STAMPS AND RELATED PROMOTIONAL PLANS—Regulation 1671

555.0015 Cash Register Receipts Promotion. A grocery retailer has a program where by schools or various organizations can obtain computer products by accumulating the grocer's cash register receipts. The accumulated receipts are deposited with a third party servicing vendor who issues periodic statements of account balance (accumulated tape value) to the school. When the required tape value is reached, the grocer places a purchase order with an out-of-state vendor who ships the product directly to the school and invoices the grocer.

This plan is distinguishable from that described in Regulation 1671. Second, the school is not obligated to promote shopping at the grocery store as a condition of receiving computer products. The program is promoted by asking its students and P. T. A. members to collect the sales slips from their grocery purchases and turn them over to the school rather than throw them away.

Under the above scenario, the computer products are considered to be a donation by the grocer to the school. Also, since the supplies and the property are located out of state, the donation (use) occurs outside of California and is not subject to tax. 4/9/91.

555.0021 Discount. An oil company sells tires, batteries and accessories (TBA) to its dealers and also sells service station equipment. The dealers receive "credits" for purchases of TBA that can be applied only to purchases of equipment. The dealer must pay at least 70 percent of the regular price of the equipment from his own funds. The credit is a wholly contingent right. It is contingent upon the subsequent purchase by the dealer of equipment and payment of 70 percent of the normal price for the equipment. The oil company incurs no expense by issuing the contingent credit.

The allowance of these "credits" is viewed as a discount on the charge made for the equipment. The amount of tax due on the sales of the equipment is based on the charge for the equipment less the "credits" allowed. 1/30/73.

555.0040 Discount—How Computed. The amount of the deduction for trading stamps is computed by applying to the cost of the stamps to the retailer the ratio of taxable sales on which stamps are given to total sales on which stamps are given. 7/3/53.

555.0060 Hybrid Plan. A retailer who distributes to his customers stamps which may be redeemed for merchandise or service worth \$3.00 at the store of any retailer who handles that type of stamp, is entitled to his cash discount deduction as of the time he buys the stamps. A retailer who redeems a filled book would have additional gross receipts of \$3.00 and the taxability of the \$3.00 would be identical to a situation in which a customer had paid \$3.00 in cash for the same merchandise or service. 1/13/61.

555.0080 Out-of-State Shipment by Redemption Center. A trading stamp redemption center in California receives mail orders for premium merchandise together with trading stamps for redemption from out-of-state persons. The redemption center redeems the stamps for merchandise which it ships by mail to the out-of-state persons. Since the transfer of merchandise in exchange for the trading stamps is a sale and the merchandise is shipped to the recipient at a point outside this state, such transaction is an exempt sale in interstate commerce. 8/18/67.

555.0100 Printing Stamps and Books. Charges for printing merchandise premium trading stamps and stamp saver books are taxable retail sales. 5/17/54.

555.0140 User of Stamps, etc.—Distributor as. The distributor of premium stamps does not sell anything tangible to participating dealers and hence is the consumer of stamps, stamp books, catalogs and advertising media, and subject to use tax thereon where purchased under a resale certificate or outside this state, and the use occurs in California. 3/1/56.