



## Ohio Administrative Code

### Rule 5703-9-15 Sales and use tax; coupons, coupon books, and gift cards.

Effective: November 19, 2021

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(A) For the purposes of this rule:

(1) "Coupon" means a certificate, ticket, card, digital code or other document which entitles the bearer thereof to a specified discount on the purchase of tangible personal property, specified digital products, or services. Discounts may include either fixed amount or percentage reductions from the cost of merchandise or free merchandise with the purchase of other items.

(2) "Coupon book" means a bound collection of coupons that are redeemable by a merchant or several designated merchants and includes, such things as dining or entertainment discount clubs.

(3) "Gift card" means a document, card, certificate, or other record, whether tangible or intangible, that may be redeemed by a consumer for a dollar value when making a purchase of tangible personal property or services.

(B) Coupons published by a vendor or on behalf of a vendor in a newspaper, handbill, magazine, or by any method and distributed to the public without charge, other than the cost of the newspaper or magazine, and for which the redeeming vendor receives no reimbursement, are discounts allowed prior to the sale and are not part of the taxable price.

(C) Coupons that are published by a manufacturer, distributor, wholesaler, or any other person, and for which the vendor is reimbursed by the manufacturer, distributor, or wholesaler upon surrender of the coupons, are included in the price for sales tax purposes. If the vendor enhances the value of a coupon, the amount of the unreimbursed enhancement will be treated in the manner described in paragraph (B) of this rule. For example:

(1) A customer clipped a manufacturers coupon from the Sunday newspaper for detergent in the amount of fifty cents off. The customer then went to the local grocery store and purchased the same detergent for seven dollars and ninety-nine cents and utilized the coupon. The price for the detergent



is seven dollars and ninety-nine cents because the local grocery store will be reimbursed for the amount on the coupon.

(2) Same facts as above, except that the local grocery store offers to double the coupon. Under these facts, the price of the detergent is seven dollars and forty-nine cents because the vendor offered the additional discount based on the use of the coupon.

(D)

(1) Sales of coupons, coupon books, and gift cards, either by the vendor which anticipates redeeming them or by any corporation, association, or other person for use among a variety of vendors, is not a sale of tangible personal property and no tax should be collected on such sales. For example:

A gift card purchased by a consumer at a chain restaurant that can be utilized at any of those restaurants and not just a specific location would not be a sale of tangible personal property. When the gift card is redeemed by the consumer, the sales tax is calculated on the selling price prior to the application of the dollar value of the gift card.

(2) When a purchased coupon, coupon book, or gift card is used to purchase taxable tangible personal property, specified digital products, or services, the price for tax purposes is the selling price of such property or services before application of the discount or gift card amount. For example:

(a) For twenty-five dollars, a consumer purchases a coupon from a third party unrelated to the vendor and that coupon entitles the consumer to fifty dollars worth of tangible personal property or services at the vendors location. The vendor should collect sales tax on the full selling price if the tangible personal property or service received by the consumer is taxable. If the consumer receives fifty dollars worth of merchandise or services, the price for sales tax purposes is fifty dollars.

(b) A consumer purchases seventy dollars of taxable tangible personal property or services. The consumer redeems a purchased gift card in the amount of fifty dollars toward this purchase. Sales tax should be calculated on seventy dollars, and the fifty dollar gift card would be applied to the purchase after the sales tax was added.



(E)

(1) The dollar value of a gift card that is distributed pursuant to an awards, loyalty or promotional program is not part of the taxable price if the vendor is not reimbursed or compensated by a third party for all or part of the gift card value. For the purposes of this rule, at the time a gift card is redeemed by the consumer, the vendor knows the card was distributed pursuant to an awards, loyalty, or promotional program. Past and present purchases of tangible personal property, specified digital products or services by the consumer will not be treated as consideration exchanged for a gift card. For example:

A consumer belongs to a loyalty program that provides a member a five dollar gift card after each fifty dollar purchase. The vendors recordkeeping system at the time the gift cards are redeemed indicates the five dollar gift card was distributed pursuant to an awards, loyalty, or promotional program. The consumer spends sixty dollars and receives a five dollar gift card. On the next purchase, the consumer uses the five dollar gift card toward a twenty-five dollar purchase of taxable tangible personal property. Sales tax should be calculated on twenty dollars because the five dollar gift card was not a purchased gift card and therefore reduces the price for purposes of calculating the sales tax.

(2) If the vendors recordkeeping system at the time the gift card is redeemed does not indicate whether the gift card was distributed pursuant to an awards, loyalty, or promotional program, the dollar value of the gift card that is not sold by a vendor is part of the taxable price. For example:

A consumer receives a five dollar gift card for the purchase of a product. The vendors record system at the time the gift card was redeemed does not distinguish gift cards distributed pursuant to an awards, loyalty, or promotional program from those gift cards that may be purchased gift cards. On the next purchase, the consumer uses the five dollar gift card toward a fifty dollars purchase of taxable tangible personal property. Sales tax should be calculated on fifty dollars.

(3) If a gift card distributed pursuant to an awards, loyalty or promotional program is redeemed by a consumer to purchase a mixture of both taxable and non-taxable tangible personal property or services, the amount of the gift card will proportionally reduce the price of the taxable and non-



taxable items. If the vendor is unable to proportionally apply the value of the gift card to multiple items, the vendor may apply the value of the gift card in any reasonable, consistent and uniform method based on the vendors books and records as they existed at the time of the sale and redemption. For example:

(a) A consumer redeems a ten dollar gift card issued pursuant to an awards program for the purchase of an item of taxable tangible personal property priced at twenty-five dollars and exempt tangible personal property priced at seventy-five dollars. At the time of the redemption, the vendors point-of-sale system allows the vendor to proportionally apply the value of the gift card on a per-item basis. The ten dollar gift card should be proportionally applied to reduce the price of the taxable tangible personal property by two dollars and fifty cents, and sales tax should be calculated on twenty-two dollars and fifty cents.

(b) A consumer redeems a five dollar gift card issued pursuant to an awards program for the purchase of an item of taxable tangible personal property priced at ten dollars and exempt tangible personal property priced at ten dollars. At the time of the redemption, the vendors point-of-sale system does not allow the vendor to proportionally apply the value of the gift card on a per-item basis. The vendor may apply the five dollar gift card to reduce the price of the taxable or exempt item so long as the vendor is using a reasonable, consistent and uniform method.