

## Sales Tax Treatment of TV Converter Box Coupons

The federal *Digital Television Transition and Public Safety Act of 2005*<sup>1</sup> requires full-power television stations to stop analog broadcasts and switch to digital broadcasts after February 17, 2009. This act also authorized the National Telecommunications and Information Administration (NTIA) to create the *Digital-to-Analog Converter Box Coupon Program* (47 C.F.R. 301). Under this program, from January 1, 2008, until March 31, 2009, consumers may be eligible to receive coupons to help defray the cost of TV converter boxes. See [www.ntia.doc.gov](http://www.ntia.doc.gov) or contact the NTIA, U.S. Department of Commerce, for further information concerning this program.

The coupons issued by the NTIA are treated in the same manner as coupons issued by manufacturers. The amounts of these coupons reflect payments or reimbursements by a third party to vendors and are included in receipts subject to New York State and local sales taxes. That is, sales tax is due on the selling price of a TV converter box, without any deduction for the amount of the coupon issued by the NTIA. The fact that the coupons are issued and the retailer is reimbursed by an agency of the federal government does not affect this result.

*Example: A customer purchases a TV converter box in a locality that imposes state and local sales taxes at the combined rate of 8%. The selling price of the converter box is \$70, and the customer gives the vendor a \$40 NTIA coupon. The taxable receipt is not reduced by the amount of the NTIA coupon. The taxable receipt is \$70 and sales tax of \$5.60 is due on the sale ( $\$70 \times 8\%$ ).*

Additional information on the application of sales tax to coupons, including those that represent payments or reimbursements by third parties, can be found in section 526.5(c) of the sales and use tax regulations and in Publication 79, *A Guide to Handling Coupons and Food Stamps for Retail Food Stores*.

NOTE: A TSB-M is an informational statement of changes to the law, regulations, or Department policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in Department policies could affect the validity of the information presented in a TSB-M.

---

<sup>1</sup> Title III of the *Deficit Reduction Act of 2005*, Public Law 109-171