



Interpretation 2021.04

SALES PRICE SUBJECT TO SALES TAX

Issue:

What types of charges make up the “sales price” of a remote sale?

Applicable Uniform Code Sections:

Section 030(B) of the Uniform Code states that the applicable sales tax “shall be added to the sales price...”.

Section 270 of the Uniform Code defines “sales price” or “purchase price” as:

The total amount of consideration, including cash, credit, property, products, and services, for which property, products, or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

- A. *The seller’s cost of the property or product sold;*
- B. *The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;*
- C. *Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;*
- D. *Delivery charges;*
- E. *Installation charges; and*
- F. *Credit for any trade-in, as determined by state law.*

Interpretation:

In general, the sales price of a transaction is the amount of consideration exchanged between the seller and the buyer. Following are some common sales price related topics and how they are to be treated based on the Uniform Code.

Seller costs – as stated in the definition of “sales price”, seller costs may not be deducted from the sales price.

Discounts – a discount given by the seller is considered a reduction to the sales price. Sales tax should be collected on the reduced sales price after discount.

Taxes – Some taxes such as excise taxes may be imposed on sellers of certain goods. These sellers typically pass on the cost of these taxes to the end consumer, either as a separately identified charge or by adding it to the product’s overall cost. These types of taxes that are imposed on the seller and passed on to the end consumer may not be deducted from the sales price of the product. Sales tax should be collected on the full amount charged to the buyer.

Coupons / Rebates – there are generally two types of coupons/rebates: 1) Manufacturer’s coupons and 2) in-store coupons

- ***Manufacturer’s coupon / rebate*** – These are typically reimbursements offered to the seller by the manufacturer or other 3rd party. These reimbursements simply act as an additional form of payment to the seller, allowing the consumer to pay a reduced amount.
- ***In-store coupon / rebate*** – These act effectively as a discount, where the seller is reducing the sales price when the coupon is presented. Sales tax should be collected on the reduced sales price after discount.



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Inclusion of sales tax – according to Section 030(B) of the Uniform Code, the applicable sales tax must be added to the sales price and separately stated. This means that a seller must identify the sales tax being charged on any billing statements or invoices provided to the buyer.

A seller may adjust the sales price for situations where the seller wants to charge customers a fixed or rounded amount. However, the billing statement or invoice to the buyer must reflect the adjusted selling price and associated sales tax.

Example 1 - collecting sales tax on top of selling price

Selling Price:	\$20.00
Sales Tax @ 5%:	\$1.00
Total Bill:	\$21.00

Example 2-Adjusted selling price

Selling Price:	\$19.05
Sales Tax @ 5%:	\$0.95
Total Bill:	\$20.00

The key requirement of Section 030(B) is that a seller may not charge a fee to its customer without identifying the sales tax due on the transaction. Either of the above examples are acceptable for sellers.

Trade-ins – A trade-in acts as an additional form of payment / consideration where the buyer provides the seller with a product having an agreed upon value. The sales price of the product being purchased does not change. The buyer is simply providing two forms of payment. Sales tax should be collected on the full sales price of the product.

Gift cards / gift certificates – purchases of gift cards or gift certificates are not considered to be a sale subject to sales tax. The “buyer” of the gift card / certificate is simply changing currency from one form into another. The sales tax liability is not created until the gift card / certificate is redeemed.

Shipping / delivery Charges – shipping and delivery charges associated with the sale of products or goods are generally considered part of the sales price, subject to sales tax. For more detailed discussion on shipping & delivery charges, please see Interpretation 2021.01.

Core charges – Core charges associated with the purchase of certain products or goods are considered part of the selling price of the product(s) or good(s) being purchased. Accordingly, core charges are subject to sales tax at the time of purchase of the associated product(s) or good(s).

Core charges and the sales tax associated with the core charge are refundable to the buyer when the buyer returns the old part to the seller.

Summary:

The Uniform Code clearly requires sales tax to be added to the sales price of the transaction. The Code does not allow for inclusion of sales tax in the sales price.

In addition, the Uniform Code outlines that the sales price subject to sales tax is the full amount paid by the buyer, regardless of the method of payment. Finally, any charge that is considered part of the selling price of the transaction should also be considered part of the selling price subject to any tax cap / maximum tax calculation on the transaction.