



Commonwealth of Pennsylvania
House of Representatives

M E M O R A N D U M

DATE: October 18, 2011

TO: All House Members

FROM: Hon. Mario Scavello

SUBJECT: Sales and Use Tax

I was contacted by a constituent of mine who had recently been shopping at Walmart. During this shopping trip, coupons were presented and accepted at checkout. However, after reviewing their receipt, the constituent noticed that the Sales and Use Tax (SUT) obligation provided for on the receipt, had not taken into account the coupons and the tax was imposed on the full price of the items purchased. After this was brought to my attention, I was able to find out two things: all Walmart's process coupons and the SUT in this manner across Pennsylvania and that this methodology of collecting the SUT is permitted under Pennsylvania Tax Law.

By way of background, Pennsylvania Tax Law contains several grey areas as it relates to SUT. One particular grey area that has been identified in recent years relates to how SUT is imposed on taxable items where a coupon is presented by a consumer. Upon accepting a coupon, a retailer may apply the stated discount in one of two ways.

The first and more prominent method retailers use as it relates to accepting coupons is that when the discount is applied, a new purchase price is established and provided for on a consumer's receipt. Once this new purchase price is established, the retailer in question is required to impose the SUT, when necessary, on this price, not the former. However, in the event a merchant accepts a coupon but does not indicate which item the discount is for on their receipt, a new purchase price has not been established, as per current law, and the SUT must be imposed on the original item purchased.

With this in mind, I will be introducing legislation that will eliminate the grey area associated with the acceptance of coupons and the SUT. If enacted, my legislation will require any merchant that accepts coupons to establish a new purchase price for the item being discounted.

Please join me in my efforts to simplify the Commonwealth's laws governing taxes while also lessening the obligation consumers pay to certain retail outlets across Pennsylvania. If you wish to co-sponsor this important piece of legislation, please contact my office via e-mail ksnuffer@pahousegop.com or phone 787-7732.