

June 2008

North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001

IMPORTANT NOTICE: TV Converter Box Coupon Amounts Taxable

The Digital Television Transition and Public Safety Act of 2005 authorized the TV Converter Box Coupon Program that has been launched by the Department of Commerce's National Telecommunications and Information Administration. During the period January 1, 2008 through March 31, 2009, all U.S. households may request up to two \$40 coupons to be used towards the purchase of up to two digital-to-analog converter boxes. The Federal Government will reimburse sellers for the dollar value of the coupons received from consumers.

The North Carolina sales tax is due on the sales price of the converter box before deducting the amount of the coupon or voucher. The term "sales price" is defined in G.S. 105-164.3(37) and includes "...discounts that are reimbursable by a third party and can be determined at the time of sale through any of the following:

- I. Presentation by the consumer of a coupon or other documentation.
- II. Identification of the consumer as a member of a group eligible for a discount.
- III. The invoice the retailer gives the consumer."

Since the Federal Government reimburses the seller as a result of the presentation of a coupon by the consumer to the seller, the resulting discount is considered part of the sales price of the converter box, and the tax is due on the sales price before deducting the amount of the coupon or voucher.

The sale of a converter box is made to the purchaser of the unit and is not considered a sale to the Federal Government. Although a portion of the sales price may be paid with a coupon or voucher issued by the Federal Government, the sale of the converter box is between the seller and the purchaser.

Questions about this notice can be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free) or in writing to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001.