



MISSISSIPPI STATE TAX COMMISSION

Sales and Use Tax Bureau

Notice 72-08-003 June 24, 2008

NOTICE TO ALL RETAIL TOBACCO PERMIT HOLDERS

House Bill 1663 of the 2008 Regular Session of the Mississippi State Legislature amended Section 27-65-3, Miss. Code Ann. expanding the definition of gross proceeds of sales to include payments received by the seller from third parties under certain circumstances. The amendment provides detailed instruction regarding payments received from third parties and when those payments are subject to sales tax.

Buy Down Programs

Effective July 1, 2008, payments received from tobacco manufacturers under a buy down program will no longer be subject to Mississippi sales tax unless the discount or price reduction is identified as a third party price reduction or discount on the invoice or receipt received by the purchaser. Showing the price reduction or discount to the customer on the receipt as a manufacturer's discount or third party price reduction makes the discount subject to Mississippi sales tax under the provisions of House Bill 1663, 2008 Regular Session. No credit or refund will be allowed for sales tax paid to the State of Mississippi on payments received by retailers prior to July 1, 2008, from tobacco manufacturers.

Records must be kept of all payments received from manufacturers through buy down programs for a minimum of 36 months. The records should clearly distinguish buy down program receipts from reimbursement of manufacturer's coupons. Failure to keep adequate records of buy down receipts could result in the receipts being subject to sales tax in the event of an audit.

Coupons

Merchandise purchased in whole or in part by coupons redeemable by the manufacturer of the merchandise for an amount indicated on the coupon is taxable on the full selling price. Merchandise purchased in whole or in part by coupons ordinarily found in newspaper advertisements redeemable only by a particular store or chain of stores is taxable on the selling price less any discount allowed for the coupon.

Income Tax Reminder

All payments received from manufacturers including but not limited to receipts from buy down programs and reimbursement of manufacturer's coupons are income reportable for Mississippi income tax.

Please call this office at 601-923-7015, should you need additional information or assistance regarding this notice.