

**8130.0600 CONSIDERATION.**

Subpart 1. **Consideration in money.** As used in Minnesota Statutes, section 297A.61, subdivision 3, paragraph (b), "consideration in money" refers to the amount of money whether in the form of currency, coins, negotiable instruments, or scrip which the parties agree shall be paid by the purchaser.

Example 1. "M," manufacturer, purchases a machine for use in production. "M" pays \$5,000 in cash and gives a \$20,000, 90-day promissory note drawn to the order of "V," vendor. The note bears interest at six percent. The consideration in money is \$25,000. The \$20,000 note is still deemed to be "consideration in money" even though "V," holds it until maturity, as "V" may convert the note, plus accrued interest, into cash by negotiation. The accrued interest that may be paid to "V," either at the time of negotiation or at the time of maturity, does not constitute "consideration in money" for sales tax purposes in respect of the sale of the machine.

Example 2. Same facts as in example 1, except that "V" discounts the \$20,000 promissory note at a bank for \$19,500. The consideration paid by "M" is \$25,000.

Transactions described in Minnesota Statutes, section 297A.61, subdivision 3, paragraph (b), are sales or purchases where effected by exchange or barter. The terms "exchange" and "barter" are used synonymously. (See part 8130.1500 for exemption for property taken in trade.)

Subp. 2. **Trading stamps.** Trading stamps which may be redeemed for premiums constitute consideration in the form of scrip. Redemptions by customers of trading stamps for premiums are subject to sales tax unless the premium is exempt by statute, e.g. clothing. The basis of the tax is the fixed value of the trading stamps plus any cash required for the redemption of a particular premium.

Trading stamp companies are the users or consumers of trading stamps and similar materials, e.g. booklets, catalogs, etc., and must therefore pay tax on all purchases thereof. Purchases by trading stamp companies of premiums, i.e. merchandise to be exchanged for redeemed trading stamps, are exempt as purchases for resale.

The amount charged by a trading stamp company to a dealer for the privilege of distributing trading stamps which are redeemable by the trading stamp company either in cash or premiums is exempt.

Subp. 3. **Coupons.** Whether coupons constitute consideration in the form of scrip is dependent upon the nature of the coupon. Coupons will generally be one of two types:

A. coupons which are of such a nature that the retailer does not have recourse to a supplier, distributor, or product manufacturer for reimbursement. These coupons, upon tender to the seller, result in a reduction of the sales price by the seller and are not a part of the consideration paid. The net amount is subject to the tax;

B. coupons that are redeemed by the retailer who in turn is reimbursed by a supplier, distributor, or product manufacturer are scrip and a part of the consideration. The value of such coupons is included in the amount subject to the tax. The value of the coupon is equal to the difference between the normal selling price and the reduced selling price of the merchandise.

**Statutory Authority:** *MS s 14.388; 270C.06; 297A.29*

**History:** *17 SR 1279; L 2005 c 151 art 1 s 114; 31 SR 449*

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