OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

July 14, 2016

Re: LR-15-034, Sales Tax Inquiry

Dear

I am writing this letter in response to your request regarding Oklahoma sales tax treatment of customer loyalty programs. Set forth verbatim are the facts presented along with the responses.

Facts:

is possibly looking at adding a customer loyalty program. One program the customer would get points for dollars spent at where they could then redeem those points for free or discounted merchandise. I am not sure yet if we will be getting reimbursed for these discounts. I am wondering if these discounts should be handled like other coupons for sales tax purchases or is there a special regulation for loyalty programs? Does this change if we get reimbursed or not?

Response:

Reward points granted pursuant to a customer loyalty program which may be redeemed for free or discounted merchandise are treated as customer discounts and as such excluded from gross receipts for sales tax calculation purposes under circumstances where the reward is not 1) purchased by the customer, 2) provided in exchange for services, 3) redeemable for cash, or 4) reimbursed by a third party. Consequently, the value of a reward under a customer loyalty program is not a discount and is therefore subject to sales tax if the reward 1) requires the customer to pay cash or other consideration for the reward, 2) requires the customer to provide services in exchange for the reward, 3) is redeemable for cash or 4) is reimbursed by a third party.

This response applies only to the circumstances discussed in your written request of September 2, 2015. Pursuant to Oklahoma Administrative Code 710:1-3-73(e), this Letter Ruling may be generally relied upon only by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and there has been no change in applicable law.

Sincerely,

Marc Morrison

Oklahoma Tax Commission
Marc Morrison
Tax Policy Analyst