

8130.1700 DEDUCTIONS ALLOWABLE IN COMPUTING SALES PRICE.

Subpart 1. [Repealed, 31 SR 349]

Subp. 2. [Repealed, 31 SR 349]

Subp. 3. [Repealed, L 2003 c 127 art 6 s 18]

Subp. 4. [Repealed, L 2003 c 127 art 6 s 18]

Subp. 5. [Repealed, 31 SR 349]

Subp. 6. **Refunds for property adjustments.** Where taxable property is returned, the retailer's reported gross receipts may be reduced in the month the property is returned by the amount of the sales price refunded, provided that the applicable sales tax has also been refunded. If the credit given or the cash refunded for the returned merchandise is reduced by a handling charge, the entire amount of sales tax collected should be refunded and a reduction of gross sales for the full sales price should be taken on the sales and use tax return. Where a purchaser of taxable property makes a gift of such property, and subsequently the recipient of the gift returns the property to the vendor and requests a refund of the amount paid for the property, the recipient is entitled to a refund of the sales tax applicable to the amount of the sales price that is refunded. Repossession of tangible personal property does not constitute a return of property. Merchandise that was sold on approval and later returned may be deducted from gross receipts.

Adjustments to the sales price because of unknown damage at the time of sale, i.e. scratches, dents, etc., but not detected until a later time, may be deducted from gross receipts.

Example 1. A hardware dealer sells a customer a lawnmower for \$100. The customer pays \$100 plus sales tax. As the lawnmower was defective, it was returned to the hardware dealer, and the total price including sales tax paid was refunded to the customer. Gross receipts will be reduced by \$100.

Example 2. Retail Tires sells four new tires to a customer at \$40 each under guarantee in June. In August, the customer returns one tire and is given a cash refund of \$30 plus tax. Retail Tires may reduce gross sales by the \$30 refunded on the August sales and use tax return.

Example 3. A purchases taxable personal property from a retailer at a price of \$100 plus sales tax. A then makes a gift of the property to B. B returns the property to the retailer and requests a refund of the amount paid for the property. B (the donee of the gift) is entitled to a refund of the \$100 sales price plus sales tax. The retailer may reduce gross sales by \$100 on the sales tax return for merchandise returned and thereby receive credit for the amount of refundment.

Example 4. A lumber company sells 20 redwood posts to a customer for \$100 plus sales tax. The customer decides not to use the posts and returns them to the lumber company. The lumber company has a policy of refunding all but \$10 on all returned merchandise. This \$10 represents a handling fee for placing the merchandise back into stock. The lumber company is required to refund the customer the entire sales tax and claim a reduction of \$100 in gross sales on its sales and use tax return.

Subp. 7. [Repealed, 31 SR 349]

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

History: *17 SR 1279; L 2003 c 127 art 6 s 18; L 2005 c 151 art 1 s 114; 31 SR 349*

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