



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

July 21 2011

Benjamin G. Edelman
Assistant Professor
Harvard Business School
Soldiers Field
Boston, MA 02163

Dear Prof. Edelman:

Thank you for your recent letter seeking clarification on the Michigan treatment of certain online discount vouchers.

You specifically cite Groupon.com as an example and describe a typical offer, summarized as follows: A consumer purchases a voucher from Groupon worth \$50 at a particular restaurant. The consumer paid \$20 to Groupon for the voucher. Groupon pays the restaurant \$15, deducting a \$5 fee from the amount paid to the restaurant. You ask the resulting question of sales tax: Should such a consumer pay tax on the amount of the full menu price of the meal (\$50) or only on the amount the consumer actually paid (\$20)? Your sense is that the amount of the discount should not be taxable.

Based upon the example provided in your letter, it is the Michigan Department of Treasury's position that Michigan's six-percent sales tax is due on the sales price actually received by the restaurant, which is the \$15 the restaurant receives from Groupon.

A retailer in Michigan is required to collect and remit Michigan sales tax on their gross proceeds, which means the "sales price". The Michigan General Sales Tax Act, Sec. 1 (1) (d) [MCL 205.51], states that sales price means the total amount of consideration including cash, credit, property, and services, for which tangible personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, and applies to the measure subject to sales tax.

Also be advised that Michigan does not require Michigan sales tax to be separately itemized. The General Sales Tax Act, Sec. 23 (1) [MCL 205.73] states: A person engaged in the business of selling tangible personal property at retail shall not advertise or hold out to the public in any manner, directly or indirectly, that the tax imposed under this act is not considered as an element in the price to the consumer. This act does not prohibit any taxpayer from reimbursing himself or herself by adding to the sale price any tax levied by this act.

Therefore, a retailer in Michigan has the option of either separately itemizing sales tax on a bill or receipt, or they may include the six-percent Michigan sales tax in the total price billed to the customer.

If you have further questions, please write to us at the address below or call us at (517) 636-4357.

Sincerely,

Miriam Giannini, Assistant Administrator
Technical Services Section