
Tax Compliance Guide

Restocking Fees Topic 368

(09/2009)

The *Westminster Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain taxable services purchased at retail in the City. Sales tax is imposed upon the purchaser. Retailers are responsible to collect this tax on behalf of the City and remit it periodically on City sales/use tax returns.

The Code permits retailers to deduct from gross sales the price of tangible personal property or taxable services returned by the purchaser provided that both of the following apply:

1. The price of the property returned was included in gross sales on the current return or a return filed within the past 36 months; and
2. The price and the tax collected thereon are refunded to the purchaser in cash or by credit.

Retailers who refund only a portion of the price may not deduct the full price from gross sales and should not refund the full amount of sales tax charged to the purchaser.

Some automated sales systems refund the full price and the tax thereon while simultaneously charging a "restocking fee". Because this fee represents an amount of the price not refunded to the purchaser, this amount may not be deducted from gross sales. In these cases, retailers will accomplish this by charging tax on the restocking fee in lieu of refunding tax on the net refunded price.

The tax character of restocking fees is not dependent upon whether the fee is netted against the purchase price and shown as a single refund amount, stated separately on the invoice or receipt,

Examples

1. In February, a licensed Westminster retailer sells a telephone to a purchaser for \$100 and collects Westminster tax on that price. The retailer reports this sale on the February sales/use tax return. In March, the purchaser returns the phone and the retailer refunds \$90. The retailer may deduct \$90 from the gross sales reported on the March sales/use tax return.
2. In February, a licensed Westminster retailer sells a telephone to a purchaser for \$100 and collects Westminster tax on that price. The retailer reports this

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sale on the February sales/use tax return. In March, the purchaser returns the phone. The retailer refunds the \$100 price, the Westminster tax thereon, and charges a \$10 restocking fee. The retailer should collect tax on the \$10 restocking fee because the retailer may only deduct \$90 (\$100 less the \$10 restocking fee) on the March sales/use tax return.

Related Topics

Bad Debts
Coupons, Discounts & Promotional Items

Citations

Westminster Municipal Code
§ 4-1-3. Deductions and Credits
§ 4-1-5. Retailer Responsible for Collection and Payment of Tax.
§ 4-2-3. Rate; Imposition and Collection; Distribution.

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Contact Us

For additional assistance, please contact us:

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