



---

**STATE BOARD OF EQUALIZATION**

January 18, 1956

Your letter of December 7, 1955

Attention:

Gentlemen:

You inquire concerning the application of tax to a premium merchandise plan operated by your clients. Each company operates a gasoline service station and the plan for both companies is the same.

Each customer receives a ticket with the purchase of five gallons of gasoline or multiples of five gallons. Each ticket carries a value of five points.

After 50 or more points have been accumulated, a customer may acquire premium merchandise. Each item of premium merchandise carries a value in points and in money, with one point equaling one penny. Premium merchandise may be acquired for points, for money, or for a combination of points and money. The requirement that a customer must have 50 points before acquiring premium merchandise is for the purpose of limiting the offer to regular gasoline customers. The points may be used only to acquire premium merchandise and the premium merchandise is different in kind from the regular merchandise.

It is our opinion that a transfer of an item of premium merchandise to a customer is a sale whether paid for entirely with points, entirely with cash or partly with points and partly with cash. The selling price is the posted money value. The sale is at retail and the tax applies on the selling price.

Very truly yours,

Bill Holden  
Associate Tax Counsel

BH:tl