Special Notice

Tax Exemption for Digital Converter Box Coupons Issued by Federal Government

Effective February 17, 2009, consumers will only be able to receive and view over-the-air digital programming with an analog TV by purchasing a digital-to-analog converter box. Between January 1, 2008 and March 31, 2009, the federal government will provide upon request to any U.S. household up to two coupons, worth $40 each, to be used toward the purchase of eligible digital-to-analog converter boxes. Eligible converter boxes are for the conversion of over-the-air digital television signals, and therefore are not intended for analog TVs connected to cable or satellite service.

How does tax apply to the sale of digital converter boxes?

Sales of the television converter boxes are taxable retail sales. Ordinarily, all gross receipts measured by the sales price, including coupons, are subject to sales tax, and the retailer collects sales tax on the pre-coupon purchase price. However, the portion of the sales price paid by a United States government agency, through the use of a coupon, is a nontaxable sale to the United States. Sales tax does not apply to the United States government or its agencies. Therefore, only a portion of the gross receipts from the sale of the converter boxes is subject to tax, and the amount subject to tax is only the amount paid by the consumer.

An example of how the law applies follows: A converter box is sold for $49.99. The purchaser presents a coupon issued by the Department of Commerce’s National Telecommunications and Information Administration (NTIA) in the amount of $40. After the deduction of the coupon, the selling price to the purchaser is $9.99. Tax applies to the $9.99 directly paid by the purchaser. The $40 coupon is a nontaxable sale to the United States. If no coupon is used, and the purchaser pays the full $49.99, sales tax applies to the $49.99 sales price.

If a retailer has inappropriately collected the tax and remitted it to BOE, the retailer should request a refund from the BOE and return the excess tax collected to consumers. Consumers who believe they have been overtaxed should take their receipt to the retailer and request a refund of the amount of tax that was overpaid.

More DTV Information

For more information about the digital television (DTV) transition, go to www.dtv.gov, which also provides links to several other informative websites, or contact the FCC’s Consumer Center by emailing dtvinfo@fcc.gov; calling 1-888-CALL-FCC (1-888-225-5322) voice or 1-888-TELL-FCC (1-888-835-5322) TTY; faxing 1-866-418-0232; or writing to:

Federal Communications Commission
Consumer and Governmental Affairs Bureau
Consumer Inquiries and Complaints Division
445 12th Street, SW
Washington, DC 20554.

Taxpayer Information Section

If you have any questions regarding this notice, please call our toll-free number and speak with a Customer Service Representative. Representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. Please call:
800-400-7115 TDD/TTY: 800-735-2929

In addition to English, assistance is available in other languages.