



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park Center Dr
Alexandria, VA
22302-1500

TO: Field Operations Directors
All Regions

SUBJECT: FSP – Manufacturer’s Cents –Off Coupons
and Other Cash-Back Incentives

ACT: N/A

CFR: Section 278.2 (b) states that that food stamp benefits shall be accepted for eligible foods at the same prices and on the same terms and conditions applicable to cash purchases of the same foods at the same store.

If participating retail food stores accept store or manufacturers’ cents-off coupons on purchases by cash customers they must also do so for food stamp customers. However, coupons used for purchases made on eligible food items with food stamp benefits should be credited to the participant’s EBT food stamp account or deducted from their food stamp bill at the point-of-sale; Cash may not be exchanged for manufacturers coupons that are redeemed on eligible items purchased with food stamp benefits.

Because changes to retailer’s front end systems may be required, we are allowing 6 months from the date of this memo for full implementation.

Jeffrey N. Cohen
Director
Benefit Redemption Division

The following are examples of some of the coupon scenarios retailers may encounter:

Scenario 1: CASH ONLY transaction without coupon (provides context for later examples)

Purchase price of candy = \$1.00
No manufacturer's coupon
State tax (@6%) = \$0.06.
Cash total = \$1.06.

Scenario 2: CASH ONLY transaction with coupon (provides further context for later examples)

Purchase price of candy = \$1.00
50 cent manufacturer's coupon presented
State tax (@6%) = \$0.06.
Customer responsible for tax on coupon amount = \$0.03,
and tax owed on the remaining 50 cent subtotal = \$0.03.
Cash total = \$0.56.

Scenario 3: FOOD STAMP purchase – no sales tax
A customer makes a purchase of items that are all food stamp eligible and pays via EBT and also presents a "cents-off" manufacturer coupon on an eligible item. The coupon amount should be deducted from the total EBT food stamp transaction amount.

Purchase price of candy = \$1.00
50 cent manufacturer's coupon presented
Food stamp transaction amount is \$0.50

Scenario 4: FOOD STAMP purchase – sales tax
In some States the retailer will charge tax on the coupon amount, which cannot be charged to the EBT food stamp account.

Purchase price of candy = \$1.00
50 cent manufacturer's coupon presented
State tax (@6%) = \$0.06.
Food stamp transaction amount is \$0.50
Sales tax applies to coupon amount ($\$0.50 * 6\%$) = \$ 0.03
Food stamp customer owes \$ 0.03 tax in cash

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Scenario 5: A customer makes an EBT purchase of food stamp eligible items with food stamp benefits and non-food stamp eligible items with cash. They present two coupons, one for a food stamp eligible item and another for an ineligible item.

The coupon presented for the eligible food item should be deducted from the customer's food stamp bill or credited to their EBT food stamp account. The coupon redeemed for the ineligible item should be subtracted from the cash payment or the amount returned as cash per store policy.

PROCESSING EBT FOOD STAMP TRANSACTIONS WITH MANUFACTURERS COUPONS			
CORRECT		INCORRECT	
Candy	\$0.99	Candy	\$0.99
Tax on candy (State specific)	0.06	Tax on candy (State specific)	0.06
Cheese	1.44	Cheese	1.44
Total food items	2.49	Total food items	2.49
Total food items no tax	2.43	Total food items no tax	2.43
Coupon for cheese	- 1.00	Paper towels	0.95
Tax on cheese coupon	0.06	Coupon for cheese	- 1.00
Paper towels	0.95	Coupon for paper towels	- 0.50
Coupon for paper towels	- 0.50	Tax on cheese coupon	0.06
Tax on paper towels	0.06	Tax on paper towels	0.06
Total of EBT food stamp transaction (candy and cheese minus cheese coupon)	\$1.43	Total of EBT food stamp transaction (candy, cheese and paper towels minus the two coupons)	\$1.88
Total Cash amount due (paper towels plus tax on paper towels and minus the tax on the cheese coupon)	\$0.57	Total Cash amount due (tax on the paper towels and the cheese coupon)	\$0.12

Scenario 6: A customer presents a "generic" store coupon for an amount off of the total grocery purchase at the store. The customer has purchased both eligible items using EBT and ineligible items paying with cash.

Total purchase = \$25

Food stamp eligible items = \$15

Non-eligible items = \$10.

The customer presents a "\$20 Toward Your Grocery Purchase" store coupon.

A generic store coupon that is not specific to food or non-food items can be applied to any portion of the customer's purchase, therefore it would be customer's choice as to whether this coupon should be applied to the food or non-food items. If a food stamp customer chooses to have this apply to their food stamp items, the food stamp benefit amount (\$15 in this example) would be taken off of the food stamp total or credited back to the food stamp account. If the client chose to apply the coupon to the items purchased using their food stamp benefit, this type of coupon would only be used to reduce food stamp total; it would *not* be acceptable to return cash.

Scenario 7: Store policy is that if an item scans incorrectly or a cashier makes an error in the PLU code, the customer gets the item free plus a dollar, or the customer is entitled to 10 times the overcharge (but not less than \$1 or more than \$5) of the improperly scanned item(s).

If the overage or error was attributed to eligible food items purchased with food stamp benefits, the food stamp total should be reduced by the error amount and the \$1 bonus should be credited to the EBT account. In the case of the 10 times the overcharge example, the \$1-\$5 (the appropriate overcharge payment amount) at the point-of-sale the amount should be deducted from the customer's bill prior to payment. If the overcharge is resolved subsequent to the purchase (i.e., at customer service, etc) then the appropriate amount should be refunded via a credit back to the client's EBT food stamp account.

Scenario 8: A grocery store has "bonuses" when customers are negatively affected by something regarding their purchase. For example a store that advertises "satisfaction guaranteed or we'll double your money back" on perishable items and store brands (ex. fish was bad, or the customer was not satisfied with the store brand).

If a food stamp customer is not satisfied with a qualified eligible food item purchased with food stamp benefits the amount due the customer should be credited to the EBT food stamp account.