

State of Rhode Island - Division of Taxation

Sales and Use Tax

Regulation SU 87-96

Returned Merchandise

The amount upon which tax is computed does not include the amount charged for merchandise returned by customers upon rescission of the contract of sale if the full sale price, exclusive of handling charges paid therefor, is refunded either in cash or credit and the property is returned within 120 days from the date of sale or purchase. A deduction may, accordingly, be taken for returned merchandise, if the following conditions are fulfilled:

- (1) The sale is rescinded under the terms of the sale agreement, as in the case of a sale on trial, on satisfaction, on sale or return, or similar terms or pursuant to the election of the customer as in the case of a breach of warranty, and
- (2) The full sale price, including that portion designated to be on account of "sales tax," exclusive of handling charges paid therefor, is refunded or credited to the customer, and
- (3) The merchandise is returned within 120 days from the date of sale or purchase.

The term "returned merchandise" does not include repossession or recapture of merchandise by legal process, abandonment of contract, voluntary surrender of goods without entire refund or full credit for amount paid, or goods accepted in trade or barter.

R. GARY CLARK
TAX ADMINISTRATOR

DATE: May 1, 1987