

## Sales/Use/Indirect:

### Maine: State High Court Holds that Phone Reimbursement Amounts are Part of Taxable Sales Price

*Case No. 2021 ME 8, Me. (2/18/21).* Reversing a lower court’s decision concluding that certain wireless service carriers’ payments to a cell phone manufacturer were *not* sufficiently linked to the purchases of the cell phones to constitute reimbursement for underlying phone discounts, the Maine Supreme Judicial Court (Court) held that the taxable “sale price” of the cell phones sold at discounted prices to customers who entered into wireless service contracts at the phone manufacturer’s retail stores must include payments made by the wireless service carriers to the manufacturer in connection with the sales. In doing so, the Court explained that the amounts paid by the carriers to the manufacturer constitute part of the taxable sale prices for the phones, because the facts showed that the manufacturer expected at the time of sale that it would be reimbursed by the carriers for the price discounts granted to customers who entered into wireless service contracts with the carriers. That is, according to the Court, the undisputed facts made it clear that the carriers’ payments to the manufacturer functioned, in part, as reimbursement to it for the cell phone price reductions granted to customers who entered into wireless service contracts with carriers. In this respect, the Court reasoned, the price reductions that the manufacturer granted to customers who purchased its phones and entered into wireless service contracts “were not true, nontaxable discounts” under statute and thus the assessment of sales tax based on the regular retail prices of the phones was deemed valid. Please contact us with any questions.

**URL:** <https://www.courts.maine.gov/courts/sjc/lawcourt/2021/21me008.pdf>

— Jack Lutz (Hartford)  
Managing Director  
Deloitte Tax LLP  
jacklutz@deloitte.com

Ian Gilbert (Boston)  
Senior Manager  
Deloitte Tax LLP  
iagilbert@deloitte.com

Inna Volfson (Boston)  
Senior Manager  
Deloitte Tax LLP  
ivolfson@deloitte.com

Tyler Greaves (Boston)  
Manager  
Deloitte Tax LLP  
tgreaves@deloitte.com

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