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There's No SPF For IRS Tanning Tax



Faced with budget deficits, an eroding tax base, and the legal and political impediments to raising tax **rates**, finding new things to tax can be more palatable for the government. Of course, if you're suddenly paying a new tax yourself it's not usually palatable at all. Examples of previously untaxed items include Botox, tanning, music downloads, and more. See [Taxing Gaga?](#)

Some taxes are “[sin taxes](#),” with the dual purpose of raising revenue and decreasing “bad” conduct. Usually sin taxes are excise taxes, such as those imposed on sales of alcohol, cigarettes, soft drinks and candy. Excise taxes are indirect taxes imposed on producers or sellers but usually passed on to buyers. They are like sales taxes but more targeted.

Tanning Anyone? A 10% excise tax on indoor tanning went into effect in July 2010, and early projections said it could rake in \$2.7 billion over 10 years. See [Tan Tax Causes Confusion](#). With roughly 20,000 indoor tanning salons, the tanning tax has already produced [government regulations](#) and line drawing about dividing fees for tanning from other services. Some say it's discriminatory to tax tanning while leaving most activities unscorched.

Meanwhile, the IRS has issued guidance about a tanning salon awarding points for each dollar spent on tanning. See IRS Chief Counsel

Advice [201128024](#). Like frequent flier miles, customers can use points like cash for more tanning services or other items, including lotions, facials, etc.

Such bundling raises tax issues. When the customer redeems points for tanning, does it trigger an excise tax despite the lack of cash? If so, how should it be calculated?

Fortunately for tanning salons and the bronzing public that adores them, the IRS said there is no tax here. Since the salon is providing the tanning for free, there's no amount paid for tanning so no excise tax. If the customer uses points and some cash to pay for tanning, the excise tax applies to the cash portion.

Another way to look at the result is that the customer paid the tanning tax when paying for tanning the first time, thus generating bonus points. But the points evidently accrue whether it's tanning or other goods or service purchased. Thus, the IRS could actually be missing out on some tanning tax here, though, administratively the calculation nightmare may not be worth it.

The IRS also confronted the question of how you divvy up amounts when a single price is paid for multiple services that include tanning. When prices are bundled, the amount paid for the indoor tanning must be determined. The excise tax applies to that amount.

For more, see:

[Federal Tan Tax Burns Some Badly but Keeps Everybody in the Dark](#)

[Nine Tips On The 10% Tax On Tanning Services](#)

[Indoor Tanning Services Tax Center](#)

[Excise Tax On Indoor Tanning Services FAQ](#)

[Indoor Tanning Tax Could Save Lives](#)

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