

State of Connecticut

RICHARD BLUMENTHAL
ATTORNEY GENERAL



Hartford

October 24, 2008

Sam Reeves
Vice President Division General Counsel
WalMart
Corporate Office
702 Southwest 8th Street
Bentonville, AR 72716-0215

Dear Mr. Reeves:

I am writing to request your review of your Connecticut retail stores' compliance with our state's sales tax refund law.

The attached Hartford Courant article cites several WalMart employees applying a refund policy that violates Connecticut law. WalMart should refund any consumer who was denied a refund of sales tax on returned goods or charged a sales tax on even exchanges.

Connecticut's sales tax refund policy in summary fashion is as follows:

- Returned goods -- returned for refund, not an exchange. If returned within 90 days for cash or credit and the customer has a sales receipt, the customer is entitled to a refund of the sales tax paid on the purchase price of the returned item.
- Even Exchanges -- exchange for identical or similar item of same price. Regardless of when returned (even after 90 days) and even if no receipt, no new sales tax can be charged on exchange. Similarly, if the retail store offers credit in exchange and customer purchases identical or similar item of same price, there is no sales tax charged as long as the retailer can verify that the credit was used for that purchase.
- Uneven exchanges -- exchange for replacement item that is more or less expensive and customer pays or receives refund for difference in price. The sales tax is charged on the entire price of the new item. The customer receives a refund of the sales tax of the exchanged item only if it is within 90 days and the customer has a sales receipt. Uneven exchanges are treated as separate transactions for sales tax purposes.

In sum, under Connecticut law, a customer is entitled to receive a refund of sales tax if the customer returns the item for cash or credit within 90 days and has a receipt. If the item is

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returned for an even exchange, no sales tax can be charged on the exchanged item regardless of time limit or whether he or she has a receipt. If the item is returned for an uneven exchange, the return and purchase are treated as separate transactions: the sales tax on the returned item is returned to the customer, and the appropriate sales tax on the purchased item is charged to the customer.

Please review with your Connecticut stores whether they are complying with Connecticut law, and report back to me on your findings. If they are not complying, please report to me how you intend to refund customers for sales tax erroneously charged, and how you intend to ensure that your stores and employees comply with Connecticut law in the future.

Thank you for your cooperation in this matter.

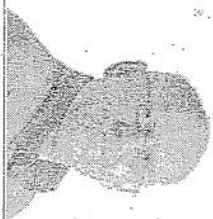
Very truly yours,

A handwritten signature in cursive script, appearing to read 'Richard Blumenthal', written in dark ink.

RICHARD BLUMENTHAL

RB/pas

Wal-Mart Insists On Taxing Exchanges



**GEORGE
GOMBOSY**
watchdog@courant.com

Despite complaints from customers of its stores throughout Connecticut, Wal-Mart insists that it's following state tax laws by requiring them to pay tax again on exchanges made without receipts.

WATCHDOG

charging tax again without receipts, but is letting its employees falsely blame the state. But you be the judge. "The law seems clear: "When a retailer exchanges or replaces taxable merchandise with identical or similar merchandise for no additional consideration because of a defect or because the item is otherwise unsatisfactory to the customer, no additional sales tax is due from the customer regardless of whether the customer is unable to produce the original sales receipt or other verification of the date and place of purchase, and/or the exchange or replacement takes place more than 90 days after the original retail sale," the state Department of Revenue Services states in its 2005 ruling.

The state tax department — which refuses to say whether Wal-Mart is violating its laws — says the critical question is whether a store has an even exchange policy. "If a retailer allows even exchanges, then sales tax should not be charged on the second item," department spokeswoman Sarah Kaufman wrote me this month when I asked similar questions about Home Depot. Wal-Mart says on its website: "You can replace, exchange, or get credit for an item immediately in a store, pending product availability."

A Wal-Mart spokeswoman refuses to discuss the issue, despite several requests for clarification about its policy. "George, I believe I've answered your question already, but I'll gladly do it again. Walmart's policy is to satisfy the customer and follow the law. Thanks again," Ashley Hardie, Wal-Mart spokeswoman, wrote me in an e-mail. We probably aren't talking about a lot of money here and the second tax goes to the state, but customers who are charged the additional tax are furious. During the past two weeks I have had written complaints from customers who shopped at Wal-Mart stores in Manchester, Cromwell, East Windsor, Torrington, Norwalk, Willimantic, North Windham, Newington and Southington. Shirley Cleveland of Newington wrote me that a month ago she purchased a toaster from Wal-Mart in her town, but returned it after learning on a television news program that it was defective and could start a fire. She returned to the store without a sales slip, but took her charge statement from her credit card account. "I asked for a credit on my credit card and was refused, they would only give me a gift card and would not credit me the tax I paid. The amount was only under two dollars but it's in someone's pocket not mine," she wrote me. Another customer, C. William Lee of Wethersfield, said he and his wife were told by a Wal-Mart manager Saturday in the Newington store that there can be no tax refund if cash was used, even though they had a receipt. I went to the East Windsor Wal-Mart this week and confirmed what others have told me, that employees who work at the return desk say that state law prevents them from returning sales tax on an even exchange without a receipt. On Friday, a spokesman for Gov. M. Jodi Reil said she believes that consumers shouldn't needlessly pay double taxes and would have the tax department review the issue. But, since it's the Consumer Protection Department that is supposed to enforce return and exchange laws, the hot potato has been dropped into Consumer Protection Commissioner Jerry Farrell Jr.'s lap, to determine whether stores are properly charging taxes on exchanges. Based on my dealings with Farrell, I think we will have a fair decision.

HOW TO REACH ME

If you have an issue that you would like me to look into, please e-mail me at watchdog@courant.com. You can also send mail to me at Watchdog, Hartford Courant, 285 Broad St., Hartford, CT 06115 (please include your telephone number and town). I will respond to as many complaints as time permits. You can read my daily blog at courant.com/cvwatchdog.