**64:06:02:03.02.  Advertising cooperatives.** Gross receipts received by a franchiser as a cost share or a reimbursement for purchases of exempt advertising services made by the franchiser are not subject to sales tax if:

(1)  The gross receipts are paid by a franchisee to its franchiser for exempt advertising services purchased by the franchiser for the franchisee's business or the franchise;

(2)  The franchiser denotes the gross receipts as a cost share or reimbursement for exempt advertising services; and

(3)  The franchiser has documentation verifying that the gross receipts were received as a cost share or reimbursement for a specific exempt advertising service purchased by the franchiser.

**Source:** 24 SDR 97, effective January 25, 1998.

**General Authority:** SDCL 10-45-47.1.

**Law Implemented:** SDCL 10-45-2, 10-45-12.1, 10-45-20.