

TaxJar

Food & Beverage Sales Tax Guide



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Introduction

Selling food and beverages online is a growing niche. Businesses are innovating exciting ways to provide food and beverages to customers, whether it's creating meal kits, bundling items then selling them along with a cooking class, or connecting local farmers and growers to a wider audience through technology.

One thing you want to make sure you get right as your business grows and innovates is sales tax.

Food and beverage can be a tricky category when it comes to charging the right sales tax rate to the right customer. This guide will help you understand the nuances of collecting and filing sales tax when selling food and beverage products.

As a bonus, it includes our handy list of states where grocery items and prepared foods are and are not taxable.

Sales tax on grocery items

Grocery items are considered taxable in some states, like Alabama, but totally tax exempt in states like Massachusetts. To complicate matters, groceries are taxed at a reduced rate in some states, such as Illinois. In still other states, like Georgia, groceries are exempt from statewide sales tax but still subject to local sales taxes.

Sales tax on prepared foods

Prepared foods are a little different. In most cases, prepared foods ready to eat on or off the premises are taxable. But some states, like Ohio, food that is "to be consumed off the premises" is not taxable. This means that if you own an Ohio restaurant, you would be required to charge sales tax to your dine-in patrons and not charge sales tax to patrons using your drive-thru window.

Want to buy a bagel in New York City?

A single bagel, cut and ready to eat is subject to sales tax. But a bag of bagels is tax exempt.

Selling food and beverages online

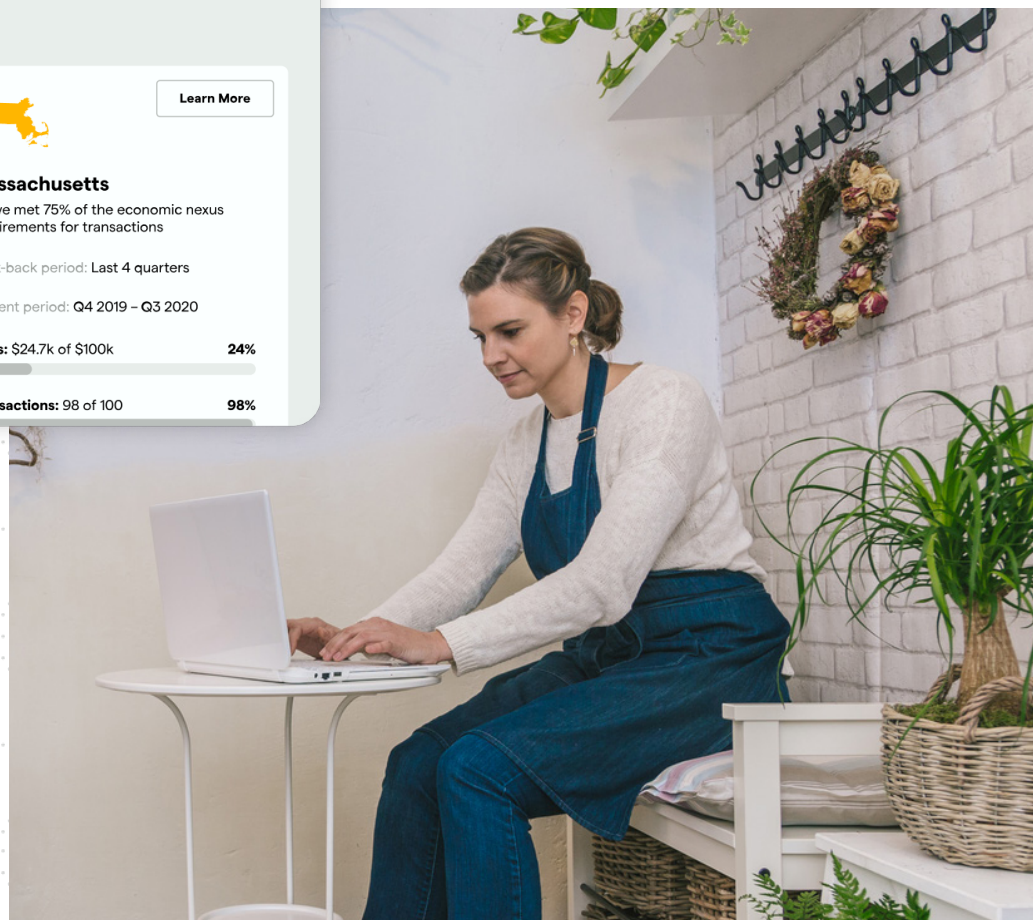
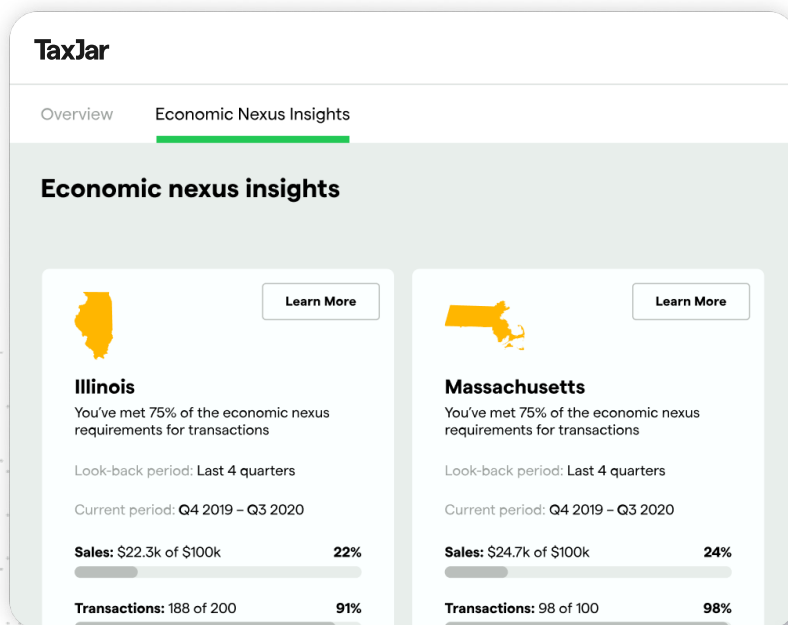
Charging the right amount of sales tax to the right customer becomes even trickier when you sell online.

First, you may be responsible for sales tax in multiple states. An office, an employee, inventory, or even simply exceeding a state's "**economic nexus threshold**" means you're required to collect sales tax from buyers in a state.

Further, in the US, each state sets its own sales tax rate. And then cities, counties and other special taxing districts can set additional taxes. Sales tax is based on your customer's ship to address, so this means you're required to collect the right amount of sales tax from customers based on their unique combination of state and local sales tax rates. To that, add the complexity of selling food and beverages that may be taxed differently from state to state and locality to locality.

Ready to automate food and beverage sales tax?

[Talk to an expert.](#)



States where grocery items are taxable and tax exempt

The chart on the following page provides a high-level overview of states where food and beverage sales are taxable and non-taxable.

Grocery Items	Prepared Food
●	●
●	●
●	●
●	●
●	●

- Taxable
- Taxable at a reduced rate
- Exempt
- Exempt statewide, taxed at a lower rate locally
- N/A

How to use this chart

The **Grocery** column on this list refers to non-prepared grocery food. In some cases, items you buy at the grocery store such as soft drinks, candy and confection are not tax-exempt or are taxed a different rate. Also note that foods prepared for consumption at a grocery store are generally taxable in all states.

The **Prepared Food** column on this list refers to food that is meant for immediate consumption on or off the premises. Prepared food is generally always taxable, though sometimes bakery items are tax exempt even if they can be consumed immediately.

For example, a box of uncooked pasta noodles would be a grocery item, while a hot plate of spaghetti would be a prepared food.

Important note

Always check with your state's department of revenue or a knowledgeable **sales tax advisor** if you have a question about whether or not the items you sell are taxable. Sometimes the definition of "grocery items" and "prepared food" can get a little tricky!

States where grocery items are taxable and tax exempt

Alabama – Missouri

State	Grocery Items	Prepared Food
Alabama	●	●
Alaska*	●	●
Arizona	●	●
Arkansas*	●	●
California*	●	●
Colorado	●	●
Connecticut	●	●
Delaware	●	●
Florida	●	●
Georgia*	●	●
Hawaii	●	●
Idaho	●	●
Illinois*	●	●
Indiana	●	●
Iowa	●	●
Kansas	●	●
Kentucky	●	●
Louisiana*	●	●
Maine**	●	●
Maryland	●	●
Massachusetts	●	●
Michigan	●	●
Minnesota	●	●
Mississippi	●	●
Missouri*	●	●

- Taxable
- Taxable at a reduced rate
- Exempt
- Exempt statewide, taxed at a lower rate locally
- N/A

* **Alaska** has no statewide sales tax, though some local jurisdictions impose sales tax

* **Arkansas grocery items:** Grocery items are not tax exempt, but food and food ingredients are taxed at a reduced Arkansas state rate of 1.5% + any local rate.

* **California prepared foods:** Sales of cold food products generally are not taxable. Cold food products include cold sandwiches, milkshakes, smoothies, ice cream, and cold salads, among others. Keep track of your sales of cold food items. The 80/80 rule applies when 80% of your sales are food and 80% of the food you sell is taxable. If this rule applies to you and you do not separately track sales of cold food products sold for take-out, 100% of your sales are taxable.

* **Delaware** has no sales tax

* **Georgia grocery items:** Food sold for preparation and consumption in the home is non-taxable at the Georgia state level but counties and jurisdictions may levy a tax

* **Illinois grocery items:** Illinois taxes grocery items reduced rate of 1%

* **Louisiana grocery items:** Food sold for preparation and consumption in the home is non-taxable at the Louisiana state level but counties and local jurisdictions may levy a tax

* **Maine grocery items:** Maine’s tax exemption on groceries is limited to items that fall into the state’s definition of “**grocery staples.**”

* **Maine** prepared food is taxable at Maine’s 8% prepared food rate

* **Missouri grocery items:** Grocery items are taxed at a reduced state rate of 1.225%

States where grocery items are taxable and tax exempt

Montana – Wyoming

State	Grocery Items	Prepared Food
Montana*	●	●
Nebraska	●	●
Nevada	●	●
New Hampshire*	●	●
New Jersey	●	●
New Mexico	●	●
New York	●	●
North Carolina*	●	●
North Dakota	●	●
Ohio**	●	● ●
Oklahoma	●	●
Oregon	●	●
Pennsylvania	●	●
Rhode Island	●	●
South Carolina*	●	●
South Dakota	●	●
Tennessee*	●	●
Texas	●	●
Utah*	●	●
Vermont*	●	●
Virginia*	●	●
Washington	●	●
Washington DC	●	●
West Virginia	●	●
Wisconsin	●	●
Wyoming	●	●

- Taxable
- Taxable at a reduced rate
- Exempt
- Exempt statewide, taxed at a lower rate locally
- N/A

* **Montana** has no sales tax

* **New Hampshire** has no sales tax

* **North Carolina grocery items:** Sales of grocery items are exempt from North Carolina state sales tax, but still subject to local taxes at a uniform reduced rate of 2%

** **Ohio** prepared food consumed on premises is taxable; Prepared food consumed off the premises (“to-go”) is non-taxable

* **Oregon** has no sales tax

* **South Carolina grocery items:** Unprepared food that can be purchased with federal food stamps is exempt from state sales and use tax, but may be subject to other local sales and use taxes.

* **Tennessee grocery items:** Groceries and ingredients are taxable, but taxed at a reduced state rate of 4%. Groceries are fully taxable at local rates.

* **Utah grocery items:** Groceries are taxed at a reduced rate of 1.75%. These transactions are also subject to local option and county option and results in a total combined rate on grocery food of 3% throughout Utah

* **Vermont prepared food:** Vermont’s “Meals and Rooms” tax is 9% on sales of prepared and restaurant meals and 10% on alcoholic beverages served in restaurants.

* **Virginia grocery items:** Grocery items are taxable, but taxed at a reduced rate of 1.5% plus a 1% local option tax in applicable areas

Final thought on food and beverage sales tax

Every state is different, and sales tax laws about what is and is not taxable can change at a state legislator's whim. TaxJar keeps you updated on sales tax law changes so you never have to worry about sales tax.

TaxJar keeps you sales tax compliant

Determining where you're required to collect sales tax. Collecting the right rates. Handling sales tax filings in multiple states. These are complex, non-revenue generating tasks. And they're why we created TaxJar.

How TaxJar can help

- **Be sure you're collecting sales tax from the right customers at the right rates - never undercharge or owe sales tax out of pocket, or overcharge and create a negative customer experience**
- **Enjoy accurate, seamless sales tax calculations at checkout - with 99.99% uptime and lightning fast response times, TaxJar has your back on your busiest shopping day**
- **AutoFile your sales tax returns - we file and pay on your behalf so you can get back to focusing on your bottom line**

TaxJar

Learn more about why food & beverage companies use TaxJar.