



State of Nevada Department of Taxation



RESTAURANT AND BAR SALES

RESTAURANT AND BAR COMPS

Are Sales of Food Taxable?



- When they are prepared food intended for immediate consumption – Yes!
- Definition of prepared food:
 - Customarily sold with eating utensils provided by the seller
 - ✦ Includes: plates, napkins, knives, forks, spoons, straws, glasses, or cups
 - Sold in a heated state or is heated by the seller
 - Two or more food ingredients mixed/combined by the seller for sale as a single item

NRS 360B.460 and NAC 372.605



What is included in the Sales Price?

NRS 360B.445

NAC 372.350

- Costs that are included in the sales price of the meal are:
 - Food and food ingredients
 - Alcoholic beverages and non-alcoholic beverages
 - Paper products including but not limited to:
 - ✦ Napkins
 - ✦ “To-go” containers
 - ✦ Straws
 - ✦ Toothpicks (used in food or beverage)
 - ✦ Place settings
 - ✦ Plastic cups/glasses (not reusable)

Reduction to the Sales Price



Coupons & Discounts

NRS 372.025

- Tax is calculated after the discount is applied

- Example:

| | |
|-----------------------|-----------------|
| ✦ Meal | \$10.00 |
| ✦ <u>10% Discount</u> | <u>(\$1.00)</u> |
| ✦ Taxable | \$9.00 |

- “Two for One” coupons
 - Tax is due on one meal
- Percent off coupons
 - Treat same as the discount %
- Dollar amount coupons
 - Treat same as the discount %
 - ✦ If it does not cover the entire sale
- Use tax is always due
 - ✦ On product cost of all alcohol beverages and paper products



Catering and Banquets

Service as part of the sale is considered taxable

NRS 372.025

NRS 360B.480

- **Taxable Services:**
 - Corkage
 - Cleanup
 - Setup Service
 - Carving Fees
 - Mandatory Gratuities
 - ✦ Note: non-taxable if the entire amount is passed on to the employees

- **Non-Taxable Services:**
 - Room Rental
 - Voluntary Tips to the Servers

Exempt Sales – No Tax Charged



- Sales to US Government
- Sales to the State of Nevada
- Sales to approved **Nevada** exempt entities
 - Churches
 - Schools
 - Charities
- Sales to certain members of the **Nevada** National Guard and their families

- *Note: All of these require documentation to prove the exempt status, such as, exemption letters AND keep in mind these exemptions are **only for the entity not their employees***

*NRS 372.325, NRS 372.326,
NRS 372.7281*



Bar Sales – Can You Include Tax?

NAC 372.760

- Yes.... But...
- You must:
 - Have a sign clearly visible to your customers indicating sales tax is included
 - OR
 - You may have a statement on the customers receipt

What About Items Given Away?



- **Complimentary Meals**

- As of 06/13/2013, food and non-alcoholic beverages given away to patrons and employees are **no longer taxable**
- The paper products associated with the employee meals and non-alcoholic beverages are subject to use tax by the employer

- **Complimentary Alcoholic Beverages**

- Taxable based on the cost of the alcohol, mixes, garnishments and paper products given away
- Seller is responsible for paying and reporting the use tax

Complimentary Drinks – Example 1

- If comp drinks and cash sales come from same bar inventory
 - Use the current cost of your beverages (beer, wine, liquor)
 - Add the cost of your paper products to get your total cost
 - Divide the total cost by the retail value of the drinks to calculate the cost of goods sold percentage (COGS%)
 - Multiply the retail value of the comp drinks by your COGS% to obtain the cost subject to use tax

| Cash Sales | | Comp Sales | | Total Sales |
|------------|---|------------|--|-------------|
| \$5,000 | + | \$2,000 | | \$7,000 |

| Beverage Cost | | Paper Costs | | Total Cost |
|---------------|---|-------------|--|------------|
| \$1,500 | + | \$200 | | \$1,700 |

| Total Cost | | Total Sales | | COGS% |
|------------|---|-------------|--|-------|
| \$1,700 | ÷ | \$7,000 | | 24% |

| Comp Sales | | COGS% | | Cost of Comps |
|------------|---|-------|--|---------------|
| \$2,000 | × | 24% | | \$480 |

Complimentary Drinks – Example 2



- If comp drinks are run through a designated service bar and there are no cash sales
 - Then you report all direct costs and inventory transfers for the month as that is the cost subject to use tax
- If there is mixture of retail and comp sales
 - If comp drinks are not rung/recorded at retail, e.g. \$1.00, they need to be revalued to full retail selling price in order to obtain an accurate cost



When Is A Comp Not a Comp?

When a restaurant or bar accepts a comp ticket from another business and has an agreement with the other business for reimbursement

This is considered a sale
for the restaurant

- **Example:**
 - ABC Restaurant enters into an agreement with XYZ Casino to honor the casino's comp tickets for food or alcoholic beverage
 - ABC accepts a comp ticket from the patron
 - ✦ The sale is rung at retail and then the comp ticket is applied – usually the patron does not pay anything out of pocket
 - ABC bills XYZ Casino for the amount of the sale plus the sales tax
 - XYZ pays an agreed upon amount to ABC
 - ✦ Example 90% of the sale plus the sales tax
 - ABC reports the sale on the discounted amount paid to them by XYZ



Miscellaneous Reminders

NAC 372.760

NAC 372.520

NAC 372.500

NAC 372.765

- **Vending Machines**
 - If you own them you should have a sales tax included sign for the items similar to bar beverage sales
 - A permit must be clearly visible on the machine
- **Over-Collected Tax**
 - You can either:
 - ✦ Return the amount to the customer
 - ✦ Remit the over collected tax to the Department

Reminder



- Please be advised that any responses by the Department made to inquires are only binding if they are in writing, such as Nevada Revised Statutes, Administrative Code, Technical Bulletins, Nevada Tax Notes and written correspondence

Department Of Taxation - Contact Information



Hours: Monday through Friday
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