

Sales Tax on Meals Sold in Supermarkets

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Issue

How do supermarkets determine whether to charge sales tax on food purchases?

Summary

Although food products are generally exempt from state sales tax, supermarkets must charge the tax on certain sales of food and beverages for immediate human consumption (i.e., meals). According to a Department of Revenue Services (DRS) [policy statement](#), a supermarket must charge the tax on:

1. catered meals, which are prepared in the supermarket and delivered to a customer at a remote location;
2. sandwiches, grinders, coffee, or tea prepared and sold anywhere in the supermarket for takeout; and
3. meals sold in snack bars, food courts, or other areas where a supermarket intends customers to consume these meals, regardless of whether they do so in these designated areas.

The third requirement is based on the type of meal the customer purchases and where in a supermarket it was purchased. The policy statement provides examples showing how the purchase location determines whether the supermarket must charge sales tax on a meal (except sandwiches, grinders, coffee, or tea, which, as stated above, are taxable regardless of the purchase location).

1. In the first example, a customer purchases and pays for a snack in an area designated for eating. Since the customer purchased the meal in that area, the supermarket must charge sales tax.
2. In the second example, the customer takes the snack home instead of eating it in the designated area. The supermarket must still charge the tax because the customer purchased the meal in the designated area regardless of whether he or she consumes it there.
3. The third example also involves a sale in the designated area, but this time the customer purchases and consumes it while sitting or standing at the table. As with the sales in the first two examples, this sale is also taxable because it occurred in a designated eating area.
4. In the fourth example, the customer pays for the meal in the checkout line, not the snack bar, but consumes the meal in the designated area. Because the customer purchased the meal in the checkout line, the supermarket does not charge sales tax. Again, the sales setting or context, not the customer's actual intention, determines whether the supermarket must charge the sales tax.

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