

## Vermont Meals Tax for Businesses

Businesses need to know the circumstances in which the Vermont Meals Tax applies to them. This fact sheet is a continuation of the “Vermont Meals and Rooms Tax for Businesses,” providing further details for businesses serving meals and collecting tax. For more detailed information, you should refer to Vermont tax law and the Vermont Department of Taxes website at [www.tax.vermont.gov](http://www.tax.vermont.gov) for fact sheets, regulations, and technical bulletins on the topics presented here.

### New! Change in the law for vending machines

Beginning July 1, 2015, food and beverages sold in vending machines are subject to the Vermont Meals and Rooms Tax. If a business operates multiple vending machines, it is not required to hold a Vermont Business Tax License for each machine.

### Businesses Subject to the Meals Tax

Following is a noninclusive list of types of businesses which must charge tax:

- Restaurants, bars, or catering businesses
- Grocery and convenience stores if they offer prepared foods
- Food carts
- Vending machines
- Transient vendors

### What Is a Restaurant?

The type of sales and amount of sales determine if a business is a restaurant. A restaurant is defined as:

- An establishment that charges for food or beverage intended for immediate consumption; **or**
- An establishment that has made total sales of food or beverage in the previous taxable year of at least 80% taxable food and beverage; **or**
- A new establishment that projects its total sales for the first year to be at least 80% taxable food and beverage

**Note:** Some items are taxable even when sold by a business not defined as a restaurant, e.g., sandwiches (except frozen), heated food or beverages, items from a salad bar, and party platters and prepared food.

### What Is Subject to Meals Tax?

Generally, taxable meals are food and beverage offered for a charge, to be consumed on or off premises, available for immediate consumption. All food is taxable when sold by a restaurant, except grocery-type items sold for consumption off-premises.

If an admission or minimum charge is included in the charge for the meal (not stated as separate charge), then it is considered to be part of the meal and is therefore also subject to meals tax.

Meals and non-alcoholic beverages are taxed at a different rate than alcoholic beverages. The separate tax on alcoholic beverages applies to sales by holders of first and third class liquor licenses. This includes alcohol that is sold for consumption on the premises of a restaurant.

### Please note:

If tax is included in the purchase price of the item, you must state on the menu, price list, bill, receipt, or vending machine that the sales price includes the amount of tax charged.

### What Is Not a Taxable Meal?

These are not considered taxable meals, even when sold by a restaurant:

- Self-serve, bulk, non-prepackaged grocery items such as fruit, vegetables, candy, flour, nuts, coffee beans
- Grocery-type items furnished for take-out such as whole pies or cakes, loaves of bread, single serving bakery items sold in quantities of three or more

For a more detailed list, see [www.bit.ly/vttaxregs](http://www.bit.ly/vttaxregs) for the Meals Tax Regulations.

## Coupons and Gift Certificates

If you honor a coupon at your place of business and receive reimbursement from the coupon issuer in the amount of the discount, tax is due on the full cost. If you honor a coupon and are not reimbursed by the coupon issuer, then the tax is due on the final cost to the customer. The same is true if you offer a special or reduced price to customers.

No meals tax is collected at the time of purchase of the gift certificate. Gift certificates are treated like cash. When used, the restaurant collects the meals tax on the total amount of the meal charge, not the amount due after the certificate is used.

## Are Tips Taxable?

Generally, tips are not taxable, but there are exceptions. "Tip" means either:

1. a sum of money gratuitously and voluntarily left by a customer for service, **or**
2. a charge for service that is indicated by the seller on the bill, invoice or charge statement that:
  - a. does not exceed 20% of the total charges **and**
  - b. is separately accounted for and fully distributed to service employees, in addition and supplemental to normal salary and wages, which must meet or exceed state and federal minimum wage requirements.

## The exceptions

Tips in excess of 20% must be reported as taxable, even if fully distributed to service employees. If any portion of the tip is retained by the operator, rather than by service employees, the portion retained becomes a part of the charge to the customer and is thus subject to tax. For meals and rooms tax purposes, business owners and operators are not service employees, even when they perform functions typically performed by service employees.

## Do You Operate More Than One Location?

You will have just one Vermont Business Tax Account, but each location must obtain its own license and will file its own meals and rooms tax return. To obtain the additional licenses, register for each separate location. An exception is for businesses operating multiple vending machines—they are not required to hold a license for each machine.

## Know Tax Law and Regulations

Business owners are expected to be familiar with state tax laws and regulations applicable to their businesses. For more information, please see the following:

### 32 V.S.A. Chapter 233

<http://legislature.vermont.gov/statutes/title/32>

### Meals and Rooms Tax Regulations

[www.bit.ly/vttaxregs](http://www.bit.ly/vttaxregs)

### Technical Bulletins on Sales and Use Tax

[www.bit.ly/vttechbulls](http://www.bit.ly/vttechbulls)

### Fact Sheets

[www.bit.ly/vtfactsheets](http://www.bit.ly/vtfactsheets)

Vermont Meals and Rooms Tax for Businesses, Vermont Rooms Tax for Businesses, What Caterers Should Know about Vermont Business Taxes, Local Option Tax: What is It and When Does It Apply?, Business Owners Must Inform Customers about the Vermont Taxes on Meals and Alcohol, What Nonprofits Need to Know About Vermont Business Taxes, How to Register Online for a Vermont Business Tax Account, and other fact sheets on a variety of topics

To learn more about Vermont business taxes, visit [www.tax.vermont.gov](http://www.tax.vermont.gov) or contact the Department's Business Tax Section at [tax.business@vermont.gov](mailto:tax.business@vermont.gov) or (802) 828-2551, option 3.

