

Vermont Tax on Purchases Made through 3SquaresVT

Even though an item for sale is subject to Vermont tax, it becomes exempt from tax when payment is made with a 3SquaresVT EBT card. 3SquaresVT is Vermont's name for the federal Supplemental Nutrition Assistance Program or SNAP. Eligible items purchased using a 3SquaresVT EBT card are exempt from tax. This fact sheet offers general guidelines for sellers that accept 3SquaresVT cards.

Basic Guidelines

Following are the basic guidelines of 3SquaresVT:

- Items purchased with 3SquaresVT are exempt from state and local taxes. 7 CFR § 272.1; 32 V.S.A. § 9741(13)
- 3SquaresVT benefits can be used to purchase food items such as breads and cereals, fruits and vegetables, meats, fish, poultry and dairy products, or any food or beverage with a "Nutrition Facts" label.
- Items with a "Supplement Facts" label are not eligible for purchase with 3SquaresVT benefits.
- Items purchased with EBT cash are subject to tax.

Even though the following items are subject to tax in Vermont, they are exempt from tax when purchased with a 3SquaresVT EBT card:

Vermont Sales and Use Tax

- Soft drinks

Vermont Meals and Rooms Tax

- Fewer than three single-serve bakery items (normally one to two items are considered a meal and subject to meals tax)
- Cold prepared sandwiches to be eaten off premises
- Cold food from the salad bar to be eaten off-premises

How to Apply Payments Using 3SquaresVT Benefits

When a customer uses a 3SquaresVT EBT card to pay for eligible purchases, payment must be applied *first* to eligible items normally subject to tax in Vermont. When the EBT card is applied, these items become

exempt from tax under the 3SquaresVT eligibility rules. If any taxable items remain to be paid for after 3SquaresVT benefits are used, those items will be taxed.

Examples

1. A customer buys \$40 worth of goods at the grocery store and pays for them with \$10 worth of 3SquaresVT benefits using an EBT card and \$30 cash. The eligible taxable items cost \$5. Since \$10 worth of 3SquaresVT benefits is used, no tax applies to the sale of the eligible items. Tax still applies to any items that cannot be purchased with 3SquaresVT benefits, such as any product with a supplement facts label, paper products, and cleaning supplies.
2. Same as above, except the eligible taxable items cost \$12. In this situation, do not charge tax on the \$10 that is covered by 3SquaresVT benefits using an EBT card. The \$2 not covered by 3SquaresVT benefits is taxable along with any other taxable items.

Any time a customer chooses to use cash from a 3SquaresVT benefit to purchase an item subject to tax, the seller must charge tax. Cash cannot be tracked to the 3SquaresVT benefit.

To learn more about Vermont business taxes, visit tax.vermont.gov or contact the Department's Business Tax Section at tax.business@vermont.gov or (802) 828-2551.

Disclaimer: The information provided here is intended to be an overview only. Vermont tax statutes, regulations, Vermont Department of Taxes rulings, or court decisions supersede information presented here.

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