Understanding Taxation of Chips and Soft Drinks in Vermont

Taxes are complicated. The taxes that apply to foods and drinks can be confusing because there are many rules and exceptions. The Vermont Sales and Use Tax and Meals and Rooms Tax are based on statutory definitions and the circumstances of the sale. This infographic takes the common example of chips and soft drinks to show how different sellers in different locations may have to collect different taxes.

Depending on the business type and circumstances of the sale, chips and soft drinks may be subject to Vermont Sales and Use Tax, Meals and Rooms Tax, or be exempt from tax. First, determine what type of business you are operating.

Is your business a restaurant?

Examples include a café, cafeteria, dining room, diner, lunch counter, snack bar, seated bar, private or social club bar, or tavern, theater concessions, street vendor, street cart, food truck, caterer.

What is a restaurant? A restaurant is an establishment from which food or beverage for immediate consumption is sold for which a charge is made. A restaurant includes stationary, mobile, temporary, or permanent eating establishments.

An establishment earning 80% or more of its gross receipts from selling food, beverages, and alcoholic beverages subject to meals tax is considered a restaurant.

Chips and soft drinks—whether bottled, canned, or served from a fountain—sold in restaurants are part of a meal and subject to the 9% meals tax.

Is your business a grocery store or convenience store?

Examples include a supermarket, grocery store, convenience store, small grocery store, or convenience store.

What is a soft drink? Soft drinks are nonalcoholic beverages that contain natural or artificial sweeteners. Soft drinks are not (1) beverages that contain milk or milk products, soy, rice, or similar milk substitutes or (2) beverages that contain greater than 50% of vegetable or fruit juice by volume. Bottled water and bottled coffee are subject to meals tax when sweetened with sugar, not if sweetened after it is bottled, then it is considered a soft drink. See the fact sheet “Vermont Sales and Use Tax on Soft Drinks.”

Bottled and canned soft drinks sold in grocery or convenience stores to customers paying with EBT cards (3SquaresVT, SNAP) are exempt from sales tax. See the fact sheet “Vermont Tax on Purchases Made through 3SquaresVT.”

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For more information, check out these resources! Department of Taxes website at www.tax.vermont.gov Vermont law on Meals and Rooms Tax—32 V.S.A. Chapter 233 Vermont law on Sales and Use Tax—32 V.S.A. Chapter 225 Regulations Technical Bulletins Local Option Tax Forms and Publications

Exemptions

You should know about any tax exemptions for chips and soft drinks.

Most exemptions are based on where the sale is taking place, such as in a school, government property, correctional facility, hospital, train, bus, airplane, children’s summer camp, continuing care facility for the retired, or nursing home. Other exemptions are based on who is making the purchase, such as in a school, government property, correctional facility, hospital, train, bus, airplane, children’s summer camp, continuing care facility for the retired, or nursing home. Other exemptions are based on who is making the purchase, such as in a school, government property, correctional facility, hospital, train, bus, airplane, children’s summer camp, continuing care facility for the retired, or nursing home.

See the fact sheet “Vermont Sales and Use Tax on Vending Machines.”

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