

Minnesota Tax Details

Soft Drinks

- Liquid
- Less than 0.5% alcohol
- Sweetened (natural or artificial)
- Does not contain milk or similar substitutes
- 50% or less fruit or vegetable juice
- CARBONATION DOES NOT MATTER!

Candy

- Bar, drop, or piece
- Sweetened (natural or artificial)
- Does not contain flour
- Does not require refrigeration
- Combined with other ingredients

Supplements

- Tablet, capsule, powder, or liquid
- Labeled as a supplement
- Includes bee pollen, garlic capsules, ginseng tablets, and zinc lozenges

Prepared Food

- Sold in a heated state
- 2 or more combined ingredients
- Utensils provided, including napkins, straws, or trays
- Exclude bakery items and food that is only sliced or repackaged

Food and Food Ingredients

102A
Sales Tax Fact Sheet 102A
Fact Sheet

What's new in 2017

Starting July 1, 2017, the only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements.

Food and food ingredients are exempt from sales tax. Food and food ingredients means a substance that is:

- in liquid, concentrated, solid, frozen, dried, or dehydrated form
- sold for ingestion or chewing by humans
- consumed for their taste or nutritional value

Nontaxable food and food ingredients

The following items are generally exempt. However, if any of these items are prepared by the seller or sold with eating utensils provided by the seller they are taxable.

- | | |
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| • baking powder | • ice cubes or blocks |
| • baking soda | • malted milk powder |
| • beverage powders (unless dietary supplement) | • margarine |
| • bread | • meat |
| • cakes and cake icing | • nuts |
| • cereals | • peanuts |
| • cereal bars with flour | • pies |
| • chip dip | • popcorn |
| • chips (potato, corn, etc.) | • popsicles |
| • cocoa | • poultry |
| • coffee | • pumpkins |
| • condiments | • raisins |
| • cookies | • relishes |
| • cooking oil | • saccharin |
| • dairy products | • salad dressing |
| • dried fruit (without sweeteners) | • salt |
| • eggs | • sauces |
| • fish | • seasonings |
| • flavorings | • shortening |
| • flour | • spices |
| • food coloring | • spray candy |
| • frozen meals | • sugar (including colored) |
| • fruit juices (more than 50% juice) | • sunflower seeds |
| • fruits | • sweeteners |
| • gelatin | • tea (bags, leaves, or powdered) |
| • granola | • trail mix (prepackaged with candy) |
| | • vegetables |

- gravies
- herbs (seasoning)
- ice cream, sherbet, and frozen yogurt, including prepackaged novelties
- water

Note: Starting July 1, 2017, the only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements. Previously, all food sold through vending machines was taxable. For more information, see Fact Sheet 158, *Vending Machines and Other Coin-Operated Devices*.

Taxable items

The exemption for food and food ingredients does not include candy, soft drinks, food sold through vending machines, prepared foods, alcoholic beverages, dietary supplements, and tobacco. Following is a list of items that are taxable because they fall into these subcategories that are specifically excluded from the food exemption. The taxable subcategory is noted in parentheses.

- | | |
|--|---|
| • baking chips, sweetened | • marshmallows (candy) |
| • baking bars, candy-coated items (candy) | • party trays (prepared food) |
| • beer (alcoholic beverage) | • soda pop (soft drinks) |
| • beer nuts (candy) | • sweetened baking bars or chips (candy) |
| • breath mints (candy) | • sweetened bottled water (soft drink) |
| • cake decorations (candy) | • tea (with "supplement facts" label) |
| • cereal bars without flour | • tobacco products, except cigarettes which are not taxed at retail (tobacco) |
| • dried fruit with sweeteners (candy) | • vitamins and minerals (dietary supplement) |
| • fruit drinks with 50% or less fruit juice (soft drink) | |
| • gum (candy) | |
| • herbal supplements (dietary supplement) | |
| • honey roasted and honey coated nuts (candy) | |

Gift baskets and other combination packages (bundled transactions)

When a bundled transaction includes food and food ingredients special rules apply and the sale may or may not be taxable. The sale is taxable if:

1. the seller's purchase price of the taxable items

in the transaction is more than 50% of the total purchase price of all of the items in the transaction, or

2. the seller's sales price of the taxable items in the transaction is more than 50% of the total sales price of the transaction.

Sellers cannot use a combination of the purchase price and sales price when making the 50% determination for a transaction.

Use tax is due on the seller's cost of taxable items included in the bundle if:

- 1) the retail sale of the bundled transaction is not taxable, **and**
- 2) the seller's purchase price of all taxable items in the bundled transaction is more than \$100.

Example 1. A grocery store assembles and sells fruit baskets. The store purchases the baskets for \$5.00 each and puts a variety of fruit into each basket that cost the store \$7.00 per basket. Each fruit basket is sold for \$20.00. Sale of the fruit baskets are not taxable, because the taxable item (the basket) costs less than 50% of the total purchase price of all of the items in the transaction. The store does not owe use tax on the purchase of the fruit baskets, because the store's purchase price of the basket included in each sale is less than \$100.00.

Example 2. A children's store makes gift packages for new parents. The package sells for \$300.00 and includes baby formula and other nontaxable items along with a baby monitor and a car seat. The transaction qualifies for the 50% test because baby formula is a food or food ingredient. The store uses its purchase price of the items in the transaction to determine the taxable percentage of the sale. The store's purchase price of the nontaxable items in the gift package is less than 50% of the total purchase price of all the items in the package so the sale of the gift package is taxable. Since the retail sale is taxable, the store does not owe use tax on the taxable items included in the gift package.

Example 3. Same as Example 2, except that the store's purchase price of the taxable items in the package is less than 50% of the total purchase price of all the items in the package. However, the cost of the taxable items in the package is more than \$100.00. In this situation, the sale of the gift package is not taxable, but the store owes use tax on their cost of all taxable items included in the gift package.

Legal References

Minnesota Statutes 297A.61

subd. 3(d), Definitions

subd. 31, Prepared food

subd. 32, Soft drinks

subd. 33, Candy

subd. 34, Food sold through vending machines

subd. 38, Bundled transaction

M. S. 297A.63, Subd. 1(d), Use of tangible personal property or taxable services

M. S. 297A.67

subd. 2, Food and food ingredients

subd. 32, Cigarettes

Minnesota Rule 8130.4700, Prepared Food, Candy, and Soft Drinks

Minnesota Rule 8130.4705, Food Sold with Eating Utensils

Other Fact Sheets

102B, *Candy*

102C, *Soft Drinks and Other Beverages*

102D, *Prepared Food*

102E, *Dietary Supplements*

115, *Food Stamps*

164, *Local Sales and Use Taxes*

137, *Restaurants and Bars*

158, *Vending Machines and Other Coin-Operated Devices*

Candy

102B

Sales Tax Fact Sheet 102B

Fact Sheet

What's New in 2017

Starting July 1, 2017, the only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements.

Candy is taxable. Candy is the preparation of sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces regardless of size. Candy does not include any preparation containing flour and must require no refrigeration.

Vending machine sales

Starting July 1, 2017, the only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements. Previously, all food sold through a vending machine was taxable. For more information, see Fact Sheet 158, *Vending Machines and Other Coin-Operated Devices*.

Flour

Items that contain the word "flour," such as white, whole wheat, rice, corn, or brown flour, on the ingredient label are not taxable. Ingredients such as soy or whey used in place of flour, are not flour.

Refrigeration

If an item requires refrigeration, it is not candy. For example, ice cream bars require refrigeration so they are not taxable. However, these items are taxable if they are prepared food. For more information, see Fact Sheet 102D, Prepared Food.

Candy that does not require refrigeration is taxable even if it is sold frozen.

Sweeteners

Examples of sweeteners include:

- artificial sweeteners
- aspartame
- barley malt
- corn syrup
- dextrose
- evaporated cane juice
- fructose
- fruit juice concentrates
- honey
- invert sugar
- molasses
- rice syrup
- saccharin
- stevia
- sucralose
- sucrose

Taxable Candy

Examples of taxable candy include:

- almond bark
- breath mints
- breakfast and nutrition bars without flour
- candy bars
- chocolate chips
- chocolate-coated potato chips
- fruit roll-ups
- marshmallows
- caramel corn
- caramel apples
- chocolate or carob covered raisins, nuts, etc.
- sweet or semi-sweet cooking bars or chips
- gum

Continued

- honey roasted and honey coated nuts, beer nuts
- peanut brittle
- sugarless candy
- yogurt covered raisins, nuts, etc.

Note: Cotton candy is commonly thought of as candy, but it is not candy because it is not sold in the form of bars, drops, or pieces. Cotton candy is taxable when prepared by the seller.

Legal References

Minnesota Statutes 297A.61

subd. 3(d), Definitions

subd. 33, Candy

Minnesota Rule 8130.4700, Prepared Food, Candy, and Soft Drinks

Other Fact Sheets

102A, *Food and Food Ingredients*

102C, *Soft Drinks and Other Beverages*

102D, *Prepared Food*

102E, *Dietary Supplements*

137, *Restaurants and Bars*

158, *Vending Machines and Other Coin-Operated Devices*

Soft Drinks and Other Beverages

102C
Sales Tax Fact Sheet 102C
Fact Sheet

What's New in 2017

Starting July 1, 2017, the only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements.

Minnesota sales tax applies to the sale of soft drinks. The food product exemption does not apply to soft drinks.

Soft drinks

Soft drinks are nonalcoholic beverages that contain natural or artificial sweeteners.

“Natural and artificial sweeteners” means an ingredient of a food product that adds a sugary sweetness to the taste of the food product.

For sales tax purposes, beverage powders and concentrates are not considered soft drinks.

To determine if a beverage is a taxable soft drink, you must review the product label. The following table provides more information.

If the product label includes *	The drink is	Examples
<ul style="list-style-type: none"> • Agave • Aspartame • Barley malt • Corn syrup • Dextrose • Evaporated cane juice • Fructose • Fruit juice concentrate • Honey • Invert sugar • Maltitol • Molasses • Rice syrup • Saccharin • Stevia • Sucralose • Sucrose • Other artificial or natural sweeteners 	Taxable	<ul style="list-style-type: none"> • Bottled or canned water that contains sweeteners • Coffee and tea drinks that contain sweeteners • Fruit ades, drinks, or nectars that contain sweeteners and have 50 percent or less fruit juice or no fruit juice percent shown on label • Kombucha tea • Nonalcoholic beer or near beer (contains barley malt) • Oral electrolyte drinks • Sports drinks • Soda pop • Sparkling grape juice containing sweeteners and 50 percent or less fruit juice

* **Note:** This list is for reference only. It does not include all natural and artificial sweeteners or beverages.

If the product label includes *	The drink is	Examples
<ul style="list-style-type: none"> • Milk or milk products • Soy, rice, or similar milk substitutes • More than 50 percent vegetable or fruit juice by volume, even if they contain sweeteners • No specific sweetener listed but lists natural flavor, essence, or spice 	Not taxable (for exceptions, see the "Additional Information" section)	<ul style="list-style-type: none"> • Apple cider • Beverage powders or concentrates • Bottled or canned water with no sweeteners • Coffee beans or grounds and tea leaves • Nutritional drinks that contain milk or milk substitutes • Milk and drinks that contain milk

* **Note:** This list is for reference only. It does not include all natural and artificial sweeteners or beverages.

Bottled water

If no sweeteners are added, carbonated, non-carbonated, or flavored bottled water are generally not taxable (regardless of size).

Delivery charges for nontaxable water are also exempt.

However, bottled water is taxable when the seller provides straws or other eating utensils. For more information, see Fact Sheet 102D, *Prepared Food*.

Alcoholic beverages

Alcoholic beverages are taxable. Alcoholic beverages contain 0.5 percent or more alcohol by volume.

Beer, wine, and liquor sold by a business with an intoxicating liquor license are subject to the general sales tax rate, liquor gross receipts tax, and any local taxes that apply. For more information, see the Food and Bar Establishments Industry Guide.

Nonalcoholic beer

Nonalcoholic beer is a taxable soft drink because it contains sweeteners. These beverages are subject to the general sales tax rate and any applicable local taxes.

Additional information

Any beverage listed as exempt in this fact sheet becomes taxable when it is served in a glass, cup, or pitcher.

For more information, see the Food and Bar Establishments Industry Guide.

Ice

Ice cubes, crushed ice, and ice blocks are not taxable. Dry ice is taxable.

Vending machines

Starting July 1, 2017, the only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements. Previously, all food and beverages sold from a vending machine were taxable.

For more information, see Fact Sheet 158, *Vending Machines and Other Coin-Operated Devices*.

Legal References

Minnesota Statute 297A.61
subd. 32, Soft Drinks
subd. 34, Taxable food sold through vending machines

Minnesota Rule 8130.4700, Prepared Food, Candy, and Soft Drinks

Other Fact Sheets

102A, *Food and Food Ingredients*
102B, *Candy*
102D, *Prepared Food*
102E, *Dietary Supplements*
158, *Vending Machines and Other Coin-Operated Devices*

Industry Guides

Food and Bar Establishments

Dietary Supplements

102E

Sales Tax Fact Sheet 102E

Fact Sheet

What's New in 2017

We made general updates to this fact sheet.

Dietary supplements

Dietary supplements are taxable food products. Dietary supplements means any product intended to supplement the diet that:

- contains one or more of the following dietary ingredients: a vitamin; a mineral; an herb or other botanical; an amino acid; a dietary substance for use by humans to supplement the diet by increasing the total dietary intake; and a concentrate, metabolite, constituent, extract, or combination of any of the above ingredients;
- is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet; **and**
- is required to be labeled as a dietary supplement, identifiable by the supplement facts box found on the label and as required pursuant to Code of Federal Regulations, title 21, section 101.36.

Any item that is required by the FDA to be labeled with "Supplement Facts" is taxable. This includes certain teas, appetite suppressants and/or stimulants, or food supplements such as vitamins and minerals, whether sold in tablet, capsule, powder, softgel, gelcap, or liquid form.

Taxable dietary supplements include:

- amino acids
- antioxidants
- bee pollen
- enzymes
- fiber supplement
- garlic capsules
- ginseng
- herbal supplements
- immune supports
- lecithin
- metabolic supplements
- vitamins and minerals
- zinc lozenges

Meal substitutes labeled with 'Nutrition Facts' are not taxable. Examples include unsweetened breakfast bars or bars that contain flour.

Legal References

Minnesota Statutes 297A.61, subd. 3(d), Sale and purchase

Minnesota Statutes 297A.67, subd. 2, Food and food ingredients

Other Fact Sheets

102A, *Food and Food Ingredients*

102B, *Candy*

102C, *Soft Drinks and Other Beverages*

102D, *Prepared Food*

158, *Vending Machines and Other Coin-Operated Devices*

