

Tax Commission

IDAHO

GROCERS



An
Educational
Guide to
Sales Tax in
the State
of Idaho

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This brochure is intended to help grocers understand the sales tax laws that apply to their business. It applies to retailers who are primarily involved in selling food for home preparation and consumption. This information is based on the laws and rules in effect on July 1, 2001.

SALES BY GROCERS

ARE FOOD SALES TAXABLE?

Generally, yes. If your business makes retail sales of food items to the final consumer, you must apply to the Idaho State Tax Commission for a seller's permit and collect and remit sales tax.

WHAT SALES ARE NOT TAXABLE?

The following sales by grocery stores are *not* taxable if the proper documentation is kept:

- Buying with food stamps, electronic benefits transfer cards, or WIC checks
Food is tax exempt when purchased with food stamps or electronic benefits transfer cards issued under the federal Food Stamp Program or with food checks issued by the federal Special Supplemental Food Program for Women, Infants, and Children (WIC). However, when manufacturers' coupons are used along with food stamps or WIC checks to buy food, the discount amount of the coupon is taxable.
- Prescription drugs and vitamins
If the store has a pharmacy, prescribed drugs and vitamins are exempt.
- Buying for resale
Restaurants, bars and other businesses buy food for resale and collect tax when it is sold.
- Exempt buyers
Exempt organizations, such as nonprofit hospitals or schools, the state of Idaho, and Idaho cities and counties.
- A church buying food to sell meals to its members or for its food bank.

WHAT RECORDS MUST I KEEP TO DOCUMENT EXEMPT SALES?

- 1) **WIC checks:** If you do not list these separately on your daily bank deposit slips, you must keep records to support your claim for exempt sales.
- 2) **Food Stamps:** You may report the actual amount of food purchased with food stamps or 97.5% of the food stamps actually deposited in the bank as non-taxable sales on your sales tax returns. If you use the actual method of reporting for food stamps, you must keep records of the actual sales.

- 3) **Electronic Benefits Transfer (EBT):** If you use the Electronic Benefits Transfer system for eligible food sales under the Federal Food Stamp Program, claim the actual amount of eligible food sales as nontaxable sales on your sales tax return.
- 4) **Prescribed drugs and vitamins:** You must keep the written prescription on file.
- 5) **Buying for resale and exempt buyers:** A customer buying for resale or claiming an exemption from sales tax must give you a completed form ST-101, Sales Tax Resale or Exemption Certificate. This form covers all exempt purchases by the buyer.
- 6) **A church buying food to sell to its members or for its food bank:** The church must complete form ST-101 for your records.

IF A BUYER FILLS OUT FORM ST-101, MUST I KEEP RECORDS OF WHAT ITEMS HE PURCHASED EXEMPT FROM TAX?

Yes, unless you have written permission from the State Tax Commission relieving you of keeping detailed records. You may request this by completing form ST-110, Petition for Sales Tax Records Reduction by a Retail Food Store.

You will receive a written response to your petition within 60 days. If your request is approved, you must get form ST-101 from your customer. Once you have this form on file, you must document all nontaxed purchases on form ST-111, Sales Tax Exemption Claim Form — Grocer.

If you do not make the request on form ST-110 or your request is denied, you must keep invoices showing what items a customer purchased without tax and how much the items cost.

HOW DOES SALES TAX APPLY TO DISCOUNTS, COUPONS AND GIFT CERTIFICATES?

Discount coupons: In general, if the grocer is the one offering the discount, it is not taxable. If the discount is offered by someone else, such as a manufacturer, it *is* taxable.

Example: A grocer offers an in-store coupon worth 20¢ off his in-store bakery donuts. Tax applies *after* deducting the 20 cents.

Example: A customer uses a manufacturer's coupon worth 20¢ when buying one of the manufacturer's products from a grocer. The grocer must figure the sales tax *before* deducting the 20¢.

Coupon books: Tax applies *after* deducting the value of coupons in a coupon book.

Trade and prompt payment discounts: If a grocer offers a discount on the condition that the customer pay his bill by a certain date, tax must be figured *before* deducting the discount. However, if a customer is offered a discount unrelated to when he pays his bill, tax applies *after* deducting the discount.

Gift certificates: Tax is not due when a gift certificate is sold. Instead, tax is charged on the full sales price of the products purchased when the certificate is redeemed.

WHAT OTHER SALES MAY BE CONFUSING?

These sales are taxable:

- Newspapers sold over a store counter
- Sales through vending machines (for special tax requirements, see Brochure #13 — Vending Machines & Amusement Devices)
- Rentals of videotapes, video players and carpet shampoers

These sales are not taxable:

- Lottery ticket sales
- Deposits paid on returnable bottles (such as milk and pop bottles)
- Sales of compressed fireplace logs

NOTE: You must keep records to show that the items you sold were not taxable.

PURCHASES BY GROCERS

WHAT CAN I BUY TAX EXEMPT?

Examples of exempt purchases by a grocer are:

- Buying inventory for resale.
- Items purchased to be rented by the store (carpet shampoers, VCRs, etc.).
- Merchandise containers (grocery bags, soft drink cups, deli containers, etc.)

You must complete form ST-101 for your supplier.

WHAT GOODS ARE TAXABLE WHEN I BUY THEM FOR MY BUSINESS?

Examples of taxable purchases are:

- Fixtures, office equipment, automobiles and other assets.
- Price labels, stickers, ink, pricing guns and shelf labels. (Product labels that contain commodity information are not taxable.)
- Items that are not for resale, such as office and warehouse supplies.
- Advertising inserts (see Rule 54).

WHAT IF I USE THINGS FROM MY RESALE INVENTORY?

When you take an item from a nontaxed resale inventory and use it yourself or give it away, you must pay use tax. The tax is due on your cost, rather than your marked-up sales price.

For **example**, if you take light bulbs off the shelf to use in your office, you owe tax on your cost of the light bulbs.

DO I OWE USE TAX IF I GIVE FOOD TO A FOOD BANK?

This is the only time you do not owe use tax. The law provides a special exemption for goods taken from a grocer's shelves to be donated to a food bank. However, if you donate goods to any other organization, you must pay the use tax.

ARE THERE ANY OTHER ITEMS I MIGHT BE ELIGIBLE TO BUY EXEMPT FROM TAX?

The production exemption may apply to your in-store bakery or meat department. In order to qualify, the bakery or meat department must be operated separately and accounted for separately in your records. For more information on this exemption, read Brochure #30 — The Production Exemption. (A deli department does not qualify for the production exemption.)

FOR MORE INFORMATION READ:

Brochure #2	Use Tax
Brochure #3	Wholesalers
Brochure #4	Retailers
Brochure #5	Retailers & Wholesalers: Making Exempt Sales
Brochure #30	The Production Exemption
Rule 41	Food, Meals, or Drinks
Rule 42	Price Labels
Rule 51	Discounts, Coupons, Rebates and Gift Certificates
Rule 58	Sales Through Vending Machines
Rule 115	Records Required, Nontaxed Sales by Retail Food Stores

This brochure was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Idaho State Tax Commission or a qualified tax practitioner.

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