

Grocery and Convenience Stores: Taxable and Nontaxable Sales

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Tax Rates

Retailers must collect state sales tax on all taxable items. Depending on your location, you may also be required to collect local tax for cities, counties, special purpose districts or transit authorities. Our brochure Texas Sales and Use Tax Rates (www.window.state.tx.us/taxinfo/local) lists the correct tax rates for cities and counties in Texas.

Permits

You must display a sales tax permit at each store you operate. If you need a permit, call us toll free at (800)252-5555 or download the application from our Web site at www.window.state.tx.us/taxinfo/taxforms/01-forms.html.

Wrapping and Packaging

Retailers must pay tax on all boxes, sacks and coverings used to package or repackage items for sale. These materials are exempt from tax if used to wrap cooked foods in a store's deli, cakes in a bakery, meats in a store's in-house meat department or other such items in a similar processing environment.

Dining Area

If your store has a dining area, collect sales tax on individual-sized packages of such items as chips, crackers, and peanuts when sold at the same register with ready-to-eat food or beverages. For example, a grocery store that sells hot barbecue in an area with tables and chairs should collect tax on individual-sized bags of chips sold in the dining area. Bakery goods such as doughnuts and cookies are only taxable if sold with a plate or eating utensils.

If your store doesn't have eating facilities, do not collect sales tax on chips, crackers, peanuts and similar items, even if sold in individual-sized packages.

Fast Food

Collect tax on all food (except bakery items sold without eating utensils) kept hot, such as barbecued beef, chicken, chili and soups.

Collect tax on all food sold with plates and eating utensils.

Collect tax on sandwiches (unless sold frozen).

Collect sales tax if you mix two or more food ingredients on your retail premises for sale by weight or volume (salad, for example) as a single item. Do not collect sales tax, however, if the item is typically reheated prior to eating (e.g. macaroni and cheese). And don't collect tax on food that you merely cut, repackaged or pasteurized.

Photo Processing

Collect tax on film processing, negatives, prints, pictures-on-disk and slides.

Rentals

Collect tax on DVDs, videos, VCRs, floor-cleaning equipment or any other property you rent to your customers.

Cigarettes and Tobacco Products

Collect tax on cigarettes, cigars and all other tobacco products.

Magazines

Collect tax on magazines.

Phone Cards

Collect tax on phone cards.

Coupons

A coupon is a cash discount. Subtract the value of the coupon from the sales price and collect tax on the resulting cost to the customer if the product sold is taxable.



For more information, visit our Web site www.window.state.tx.us. Receive tax help via e-mail at tax.help@cpa.state.tx.us.

Examples of Taxable Items

- adhesive tape
- alarm clocks
- ale
- aluminum foil
- ammonia
- ammunition
- appliances
- automotive items (oil, transmission fluid, antifreeze, etc.)
- baby care products (oil, lotion, powder, etc.)**
- baby clothing
- bags
- baskets
- batteries
- beauty supplies
- beer
- birdseed (except wild birdseed)
- bleach
- books
- breath mints
- brooms
- brushes
- bubble bath
- calendars
- cameras
- candles
- candy*
- canning supplies
- carbonated beverages*
- cards
- cassette tapes
- charcoal briquettes
- charcoal lighter fluid
- Christmas trees and decorations
- cigarettes
- cigarette lighters
- cleaners
- clothespins
- clothing
- coffee pots
- cologne
- cosmetics
- costumes
- cough drops**
- dental floss
- detergent
- deodorant (not including antiperspirant)
- deodorizers
- diapers
- diluted juices (50% or less fruit juice)*
- dishcloths and towels
- dishes
- disinfectant
- distilled spirits

- drinks (soft drinks – canned, bottled, frozen, or powdered, including all ades and punches)*
- dye
- eating utensils
- electrical supplies
- electronic equipment
- eyeglasses
- fabric softeners
- fertilizer
- film
- fishing tackle
- firearms
- flashlights
- floor wax
- flower seeds
- flowers
- flyswatters
- freezer paper and tape
- furniture

- when sold in packages of two or more)
- insecticides
- irons
- jars
- jewelry
- keys
- kitchenware
- laundry detergent and additives
- lawn chairs
- lightbulbs
- liquor
- lotions**
- lubricants
- lye
- matches
- magazines
- mops, mop handles, and mop heads
- mothballs and spray

- poisons
- polish
- popsicles
- popcorn (when candy-coated or hot in the store)
- pots and pans
- powder (face, body, and cleaning)
- prophylactics**
- razors and blades
- rental items
- ribbons
- sandwiches (except frozen)
- sandwich bags
- school supplies
- scouring pads
- shaving cream and lotion
- shampoo and rinses
- shoelaces
- silverware
- snuff
- socks
- soap and detergent
- soft drinks (carbonated and non-carbonated)*
- sponges
- sports equipment
- sprays
- starch
- stationery and cards
- sunglasses
- tape (packaging)
- tape recorders
- thread and sundries
- toilet tissue
- tools
- toothbrushes
- toothpaste
- toothpicks
- toys
- tobacco products
- towels
- videotape (sales and rentals)
- watches and clocks
- water softeners
- water softener salt
- wax removers
- whisk brooms
- wine
- wire
- water (when flavored)



- fuses
- garbage bags
- garden supplies
- gift wrap
- glassware
- gum
- hair care products (shampoo, spray, conditioner, etc.)
- hair coloring
- hairpins and accessories
- hammers
- hardware
- housewares
- ice
- ice chests
- ice cream salt
- ice cream sundries (sold individually; not taxable

- motor oil
- mousetraps
- movies
- nails
- notebooks
- nuts (candy-coated)*
- nursery stock (except annual vegetable plants)
- paper items (all)
- paraffin
- peat moss
- pencils and pens
- perfume
- pet food
- pet supplies
- photo processing
- pictures and frames
- pipes
- plastic items

* Unless purchased with food stamps or the Lone Star Card.

** Unless medicated.

Nontaxable

While the list below is not all-inclusive, it illustrates the types of products that are not subject to sales tax.

Newspapers

To be nontaxable, newspapers must be printed on newsprint, be distributed at short intervals of four weeks or less, be sold for an average price of \$1.50 or less over a 30-day period, and disseminate general interest news and advertisements.

Lone Star Card – Food Stamps

Anything that can be bought legally with the Lone Star Card is not taxable. For example, candy, soft drinks and ice are usually taxable, but are nontaxable if bought using the Lone

Star Card. If a customer buys milk, fruit, bread, soft drinks and candy and pays with the Lone Star Card and cash, the Lone Star Card should first be used to pay for the soft drinks and candy. In other words, do not collect sales tax on the candy and soft drinks as long as they are purchased with the Lone Star Card.

Over-the-Counter Drugs and Medicines

Over-the-counter drugs and medicines, vitamins and minerals, and nutritional supplements are not taxable.

Examples of Nontaxable Items

Baby Products

- electrolyte replacements
- baby food – canned, packaged, etc.
- milk – canned, dry, etc.
- formula
- medicated products

Bakery Items - fresh, canned, or frozen

- biscuits
- bread
- cakes
- cookies
- croutons (plain and seasoned)
- dinner rolls
- doughnuts
- pies
- pizza crusts
- tortillas

Baking Supplies

- almond paste, marzipan
- baking chocolate (blocks and chips)
- cake mixes
- canned fillings
- cookie mixes
- cooking oils, shortening, and lard
- cornmeal
- dried fruits
- edible cake decorations (sprinkles, confetti, etc.)
- flour
- food coloring (liquid, gel, and powdered)
- icing and icing mixes



- leavening agents (baking powder, baking soda, yeast)
- marshmallows
- molasses
- muffin mixes
- nuts (not candy-coated)
- seasonings (salt, pepper, herbs, spices, etc.)
- spices
- sugar
- sugar substitutes
- syrups

Condiments

- catsup
- herbs
- mayonnaise
- mustard
- pickle relish

- pickles
- salad dressings (mixes or bottled)
- salsas, canned and fresh
- sauces and liquid seasonings (fresh, canned, and bottled)
- spices
- vinegar

Dairy Products

- butter and margarine
- cheese and cheese foods, including cottage cheese, cream cheese
- cream (whipping, half and half, heavy, etc.)
- creamers
- lactose-reduced milks and dairy products

- milk and milk substitutes (canned and dry)
- sour cream
- yogurt

Beverages

- coffee (beans, ground, and instant)
- coffee flavorings (powdered and liquid)
- fruit and vegetable juices (more than 50% fruit or vegetable juice, canned, bottled, or frozen)
- meal replacements
- tea (including herbal teas)
- water (carbonated or non-carbonated, non-flavored)

Drugs and Medicines

- acne treatment products
- allergy treatment products
- antibiotics
- anti-fungal products
- antiseptic sprays, creams, and lozenges
- cold remedies
- cough suppressants
- expectorants
- head lice treatments
- hemorrhoid treatments
- insect bite treatments
- laxatives
- medicated prophylactics
- pain relievers (e.g., aspirin, ibuprofen, acetaminophen)

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Eggs and Egg Substitutes

- egg substitutes (fresh and frozen)
- fresh eggs

Grains and Pasta

- beans
- cereals
- granola (bulk and packaged)
- pastas (fresh, canned and dried)
- pasta mixes
- rice
- spaghetti

Ice Cream/Ice Cream Substitutes and Ice Cream Sundries

- frozen yogurt
- ice cream (pint or larger containers)

- ice cream sundries (ice cream bars, ice cream sandwiches, etc. sold in prepackaged units containing 2 or more sundries. Popsicles that are not ice cream sundries are taxable regardless of the quantity in a package unless the popsicles are more than 50% juice.)
- sherbet

Meat, Poultry and Fish

- canned meats
- dried meats
- deli meats
- fresh and frozen beef, poultry, pork and fish
- lunch meats
- meat substitutes
- sausages

Nutritional Supplements

- herbal products
- mineral products
- vitamins

Produce

- canned fruits and vegetables
- dried fruits and vegetables
- fresh fruits and vegetables (bulk, wrapped, or packaged)
- frozen fruits and vegetables

Other Categories:

- frozen meals
- meal replacements (bars, powders, and drinks)
- packaged mixes for beef, fish, pork and poultry
- packaged mixes for vegetables, beans and rice
- sauces (pasta, tomatoes, garlic)
- soups (canned, dry mix, or frozen)

Snacks

- breakfast bars
- chips
- crackers
- granola bars
- nuts (not candy-coated)
- popcorn
- pretzels
- snack mix
- trail mix
- yogurt bars

We're Here To Help! *Call Toll-Free!*

If you have questions or need information on a specific tax, please call our toll-free numbers:

(800) 252-5555

911 Emergency Service/Equalization Surcharge
Automotive Oil Fee
Battery Fee
Boat and Boat Motor Sales Tax
Customs Broker
Fireworks Tax
Mixed Beverage Tax
Off-Road, Heavy-Duty Diesel Equipment Surcharge
Oyster Fee
Sales and Use Taxes
Telecommunications Infrastructure Fund

(800) 531-5441

Cement Tax
Inheritance Tax
Local Revenue
Miscellaneous Gross Receipts Taxes
Oil Well Servicing Tax
Sulphur Tax

(800) 531-5441, ext. 3-3630

WebFile Help

(800) 252-1381

Bank Franchise
Franchise Tax

(800) 252-7875

Spanish

(800) 531-1441

Fax on Demand (Most frequently requested Sales and Franchise tax forms)

(800) 252-1382

Clean Vehicle Incentive Program
Manufactured Housing Tax
Motor Vehicle Sales Surcharge,
Rental and Seller Financed Sales Tax
Motor Vehicle Registration Surcharge

(800) 252-1383

Fuels Tax
IFTA
LG Decals
Petroleum Products Delivery Fee
School Fund Benefit Fee

(800) 252-1384

Coastal Protection
Crude Oil Production Tax
Natural Gas Production Tax

(800) 252-1387

Insurance Tax

(800) 252-1385

Coin Operated Machine Tax
Hotel Occupancy Tax

(800) 252-1386

Certificates of Account Status/Good Standing
Officer and Director Information

(800) 862-2260

Cigarette and Tobacco

(888) 4-FILING (888-434-5464)

TELEFILE: To File by Phone

(800) 252-1389

GETPUB: To Order Forms and Publications

(800) 654-FIND (800-654-3463)

Treasury Find

(800) 321-2274

Unclaimed Property Claimants
Unclaimed Property Holders
Unclaimed Property Name Searches
(512) 463-3120 in Austin

(877) 44RATE4 (877-447-2834)

Interest Rate

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