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Please note: The Department of Taxes will periodically update this guide to reflect any changes to Vermont law. For the most up-to-date version, please check the [Vermont Department of Taxes website](#).

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.

Introduction

This guide is intended to help [foodservice businesses](#), such as restaurants, caterers, food trucks, and grocery and convenience stores that sell prepared foods, fulfill their Vermont tax responsibilities.

Businesses in the food industry are most often responsible for:

- Meals Tax
- Alcohol Tax
- Local Option Tax
- Sales and Use Tax
- Income Tax

This guide provides information about each tax area as well as information related to barbers, tips, package/bundled sales, gift certificates, and coupons.

Note: This guide does not focus on Rooms Tax. If your business includes rooms with sleeping accommodations, please refer to [Vermont Rooms Tax for Businesses](#) for more information on that tax type.

Vermont Taxable Meals

What Is a Taxable Meal

Generally, taxable meals are food and beverage offered for a charge, to be consumed on or off premises, available for immediate consumption.

All food is taxable when sold by a restaurant, even a bag of chips or beverage from a cooler, except grocery-type items sold for consumption off-premises.

A restaurant is defined as:

- An establishment that charges for food or beverage intended for immediate consumption, or
- An establishment that has made total sales of food or beverage in the previous taxable year of at least 80% taxable food and beverage, or
- A new establishment that projects its total sales for the first year to be at least 80% taxable food and beverage.

Certain foods and beverages are taxable even if sold from a business not considered a restaurant:

- Heated food or beverage
- Food or beverage from a salad bar
- Sandwiches (except if frozen)
- Party platters
- Prepared foods
- Some bakery items

Note: If an admission or minimum charge is included in the charge for the meal (not stated as separate charge), then it is considered part of the meal.

What Is Not a Taxable Meal

The following are not considered taxable meals, even when sold by a restaurant:

- Self-serve, bulk, non-prepackaged grocery items such as fruit, vegetables, candy, flour, nuts, coffee beans
- Grocery-type items furnished for take-out such as the following:
 - Whole pies or cakes and loaves of bread
 - Whole uncooked pizzas
 - Non-prepackaged candy sales by weight or measure (except party platters)
 - Pint or larger closed containers of ice cream or frozen confection
 - Eight-ounce or larger containers of salad dressing or sauces
 - Maple syrup
 - Quart or larger containers of cider or milk
- Single bakery items of the same type sold in quantities of three or more (Often called the “three donut rule.”)

Vermont Meals and Rooms Tax Collection, Rates, and Reporting

Collecting and Remitting Meals Tax

Any private person, entity, institution, or organization selling meals, serving alcohol, or renting rooms to the public must collect the Vermont Meals and Rooms Tax from their customers and remit the tax to the Vermont Department of Taxes.

- The Meals and Rooms Tax is a gross receipts tax.

- Gross receipts are the total amount a business receives from all sources, without subtracting any costs or expenses. This includes all charges for the meal, even if those charges are itemized, including meal delivery charges, credit card surcharges, and set-up and serving charges.
- Meals and Rooms Tax is broken into three parts – meals, rooms, and alcohol.
 - This guide focuses on Meals Tax and Alcohol Tax, but food service businesses should know that while these taxes are often discussed separately, on forms and other information they will be referred to collectively as Meals and Rooms Tax.

Vermont Meals and Rooms Tax Rates

- **Meals Tax** – 9% on sales of prepared and restaurant meals
- **Rooms Tax** – 9% on sales of lodging and meeting rooms
- **Alcohol Tax** – 10% on sales of alcoholic beverages served in restaurants

Note: If tax is included in the purchase price of the item, a business must state on the menu, price list, bill, receipt, or vending machine that the sales price includes the amount of tax charged (32 V.S.A. § 9242 (B)).

Types of businesses which must charge Meals Tax include but are not limited to:

- Restaurants, including cafes, cafeterias, dining rooms, diners, snack bars, lunch counters, salad bars, private or social clubs, bars or taverns, theater concessions, street vendors, street carts, food trucks, and catering businesses
- Caterers, which are considered restaurants for the purpose of the Meals Tax and must follow all applicable laws and regulations. See the [Caterers](#) section of this guide for more information.
- Vending machines
- Transient vendors, including but not limited to food trucks and vendors at fairs, and farmers markets
- Online platforms that facilitate sales of meals
- Grocery and convenience stores, which must charge and collect meals tax on prepared foods

Reporting

When reporting Meals and Rooms Tax, the accrual basis method should be used. Accrual basis recognizes income earned at the time of the sale and reported even if full payment for the sale has not been received by the seller.

See the [How to File](#) section at the end of this guide for information on filing Meals and Rooms Tax.

Vermont Alcohol Tax

Alcoholic Beverage Sales

- Alcoholic beverages are malt beverages, vinous beverages, or spirituous liquors.
- Alcoholic beverages sold for immediate consumption either on-site or as take-out (if permissible), are taxed at the 10% Alcohol Tax, if not otherwise exempt.
- For alcoholic beverages that are not sold for immediate consumption, please reference the Sales and Use Tax section below.

Free Samples of Alcoholic Beverages

It is not always legal to provide free samples of alcoholic beverages. Please consult with the Department of Liquor Control. If free samples are allowable, no Alcohol Tax is due for free samples of alcoholic beverages provided for immediate consumption. However, Alcohol Tax is due when an establishment waives the cost of beverages to build customer goodwill by providing complimentary (“comped”) beverages.

Bundling Alcoholic Beverages with Other Items

Example: A business sells a mug along with beer. If the charge is not itemized on the receipt, the 10% Alcohol Tax rate applies to the entire transaction.

If the mug and beer had been itemized on the receipt, the mug would be subject to 6% Sales Tax, and the beer would be subject to the 10% Alcohol Tax. However, because the mug is sold non-itemized, and bundled with the beer, the 10% Alcohol Tax applies.

The Department of Taxes suggests that businesses itemize receipt items and apply the appropriate type of tax individually to each item. However, if a business chooses to sell items bundled together, the business must apply the highest applicable tax rate to the entire transaction.

Vermont Alcohol Sales and Use Tax

Tax treatment depends on whether an alcohol sale is for immediate consumption. An alcoholic beverage sale could be subject to the 6% Sales Tax, or the 10% Alcohol Tax, but never both.

- Alcoholic beverages sold at retail in a sealed container, not intended for immediate consumption, are subject to 6% Sales Tax.
- For entities licensed and selling alcohol as a grocery type item and not for immediate consumption, such as a brewery selling a four pack of beer to go, the sale is subject to the 6% Sales Tax.
- For multifaceted entities that are licensed for retail alcohol sales which may include a restaurant, bar, and brewery, care should be taken to separate sales of grocery type sales of alcohol not for immediate consumption. These sales should be rung up separately and not sold as part of a meal for immediate consumption.

Credit Card Fees

Credit card fees imposed by the restaurant are subject to Meals or Alcohol Tax.

Local Option Tax (LOT)

In addition to the state-imposed business taxes, a business may be required to collect and remit a 1% [Local Option Tax \(LOT\)](#) imposed by some Vermont municipalities. LOT is “destination-based”. In other words, the tax is collected based on the location where the buyer takes possession of the item. For meals, this would be either the restaurant location or delivery destination if delivered. Municipalities choose which tax types are subject to the 1% LOT (such as meals, alcohol, and/or sales, etc.).

If a customer eats a meal at a restaurant or the meal is delivered to a location within a town that collects LOT, LOT must be charged in addition to Sales, Meals, and/or Alcohol Tax, as applicable.

Examples of How to Charge LOT

- Local Option Sales Tax: 6% Sales Tax + 1% = 7% total tax
- Local Option Meals Tax: 9% Meals Tax + 1% = 10% total tax
- Local Option Alcoholic Beverage Tax: 10% Alcohol Tax + 1% = 11% total tax

Businesses may choose to show customers the Local Option Tax as a separate 1% charge on their receipt, or not show LOT separately, and include LOT as part of the total taxes on their receipt.

Local Option Tax Finder

Use the [Local Option Tax Finder](#) to search for a specific address or town to see if a LOT applies or should be charged.

Meal and Alcohol Delivery

A charge for meal delivery is considered part of the price for a meal or alcoholic beverage. This means Meals Tax applies to all delivery charges.

All charges are also subject to the highest applicable tax rate unless separately stated on the receipt or invoice and separately reported to the Department. Accordingly, if the delivery includes alcohol, a restaurant should apply the 10% alcohol rate (highest rate) to delivery charges if it does not itemize the receipt to show separate charges for delivery of meals and delivery of alcoholic beverages.

For meals delivered to customers in LOT municipalities, customers must also be charged the LOT (Meals Tax + LOT). Delivery fees, package charges, credit card fees, etc. are all considered part of the meal and should be included when charging LOT.

Note: Tips collected by restaurant-employed delivery drivers are taxed as wages and should be tracked and recorded at the end of each shift and monthly. See more about tip reporting in the tips section of this guide.

Meal Delivery Platforms and Taxable Meal Facilitators

A taxable meal facilitator is an operator that uses an app or other online platform to provide sales of meals and alcohol to its customers. Taxable meal facilitators are responsible for collecting Meals and Alcohol Tax from the final customer and remitting it to the Department of Taxes.

Taxable meal facilitators must register for a Meals and Rooms Tax account with the Department of Taxes. This is required even if the taxable meal facilitator orders from a restaurant and does not prepare the meals itself.

Taxable meal facilitators may purchase meals for resale from a restaurant by using a fully executed [Form M-3, Vermont Meals Tax Exemption Certificate for Purchases of Meals For Resale](#).

- One certificate may be kept on file by the seller (restaurant) to be used to cover all transactions from a single platform.

- A restaurant is not required to collect an exemption certificate for every transaction. However, the restaurant must retain exemption certificates for at least three years from the date of the last sale covered by the certificate to document why tax was not collected from the buyer.

All exempt meal sales (aka non-taxable meal sales), along with all taxable sales, must be reported to the Department of Taxes on the Meals and Rooms Tax return.

- A restaurant must collect and remit Meals and Alcohol Tax if a taxable meal facilitator does not provide a fully executed exemption certificate.

A taxable meal facilitator must collect Meals and Alcohol Tax on all charges for a taxable meal or alcoholic beverage, including additional delivery or facilitation charges they collect. All charges are subject to the highest applicable tax rate unless itemized on a receipt or invoice.

- Meals and additional fees, such as delivery fees, are subject to 9% Meals Tax.
- If the meal includes alcohol, and the receipt is not itemized, the meal, fees, and delivery will all be subject to the 10% Alcohol Tax.
- Delivery fees are subject to the highest applicable tax unless delivery fees are separated between the meal and alcohol.

Resale Exemption for Meals

A buyer who intends to resell meals may purchase meals without paying Meals Tax to the seller.

- The buyer must present to the seller an accurate and complete, properly executed exemption certificate for the exempted sale, [Form M-3](#).
- The tax registration number must be included in the appropriate field of the exemption certificate. When the buyer resells a meal, they must collect and remit Meals Tax to the Department of Taxes.
- It is the seller's responsibility to verify that the buyer will resell the meals. If the seller accepts an exemption certificate with no reasonable expectation that the meals will be resold, the seller will be responsible for uncollected Meals Tax.
- The exemption certificate must be received at the time of sale and must be signed, dated, and complete. Sellers must retain exemption certificates for at least three years from the date of the last sale covered by the certificate to document the reason tax was not collected from the buyer.

Coupons, Special Offers, and Gift Certificates

- If a restaurant honors a coupon and receives reimbursement from the coupon issuer in the amount of the discount, tax is due on the full charge of the meal before the coupon is applied.
- If a restaurant honors a coupon and is not reimbursed by the coupon issuer (or if the restaurant itself issued the coupon), then tax is due on the amount the customer is charged after the coupon is applied.
- Specials and discounts are not considered coupons, and tax is due on the amount the customer is charged after the special or discount was applied.
- Do not collect tax when customers buy gift certificates because gift certificates are treated like cash. Tax is due when the gift certificate is used, not when it is purchased.

Caterers Are Restaurants

Caterers are considered restaurants for the purpose of the Meals Tax and must follow all applicable laws and regulations.

Like a restaurant, caterers provide more than just food as part of their service to customers. Tableware, linen, decorations, and the labor involved to prepare and serve the meal all contribute to the dining experience.

Caterers may choose to itemize components of the catering service on the bill for the customer, or bill their services as a “package,” but costs for the meal, labor, and other taxable components are all subject to the Meals Tax even when itemized, including but not limited to:

- Food and beverage
- Labor for preparing, delivery, serving, and cleaning up after the meal
- Tableware, such as dishware, cutlery, glassware, linens, and other items necessary for serving the meal
- Flowers, ice sculptures, and any other decorative items provided as part of the service
- Room, banquet hall, building, or any space where the meal will be served

The highest applicable tax rate applies to package pricing.

- If a caterer or restaurant offers customers a package plan without itemizing Meals Tax, they must state “tax included” on the bill.

- When the caterer is selling alcohol as part of the “package” the tax rate that must be collected and remitted for the “package” increases to the 10% Alcohol Tax.
- When the caterer itemizes alcohol separately from a “package,” the alcohol portion of the bill will be subject to 10% Alcohol Tax, and the non-alcohol portion of the bill will be subject to 9% Meals Tax.
- Regardless of customer billing, charges and tax should always be properly tracked and allocated in the accounting records of the business, and taxes must be reported and remitted accordingly.

See the [Caterers](#) industry page on the Vermont Department of Taxes website for more information.

Note for non-restaurants: Some items are subject to Meals Tax even when sold by a business not defined as a restaurant. Examples include sandwiches (except frozen), heated food or beverages, items from a salad bar, party platters, and prepared food.

Tips, Service Charges, and Fees

Tips and service charges are treated differently when accounting for taxable meals, employee withholding, and business income allocation. Accurate tip and service charge reporting is key to keeping your restaurant in compliance.

Tips are voluntary payments determined and made by customers to tipped employees, and can be paid in cash, credit cards, noncash (such as tickets) and through tip pools from other employees (indirect tips). **Tips are not included in the Meals Tax base.**

Service charges are fees charged to customers by the restaurant and are distinguished from tips which are voluntarily paid by customers to the restaurant employees.

Reporting Tip Income – Employee Responsibility

All tips received by employees are income and are subject to federal income tax.

- Employees must include in gross personal income all tips they receive directly, tips paid to them by the employer, and their share of any tips they receive under a tip-splitting or tip-pooling arrangement.
- The value of non-cash tips, such as tickets, passes, or other items of value is also income and subject to tax but does not need to be reported to the employer,

as Social Security and Medicare do not apply to non-cash tips. For more information reference [IRS Publication 531](#).

Federal law requires employees who receive \$20 or more in tips during a calendar month to report 100% of their tips to their employer. To properly report tips, employees must:

- Keep an accurate daily tip record, and
- Report accurate tips to their employer, and
- Report all their tips on their income tax return.

Employees must report tips to the employer by the 10th of the month after the month the tips are received. For example, tips received by an employee in August are required to be reported by the employee to the employer on or before September 10. If the 10th falls on a Saturday, Sunday, or legal holiday, an employee may give the report to the employer by the next day that is not a Saturday, Sunday, or legal holiday.

An employer may require employees to report tips more than once a month; however, the statement cannot cover a period of more than one calendar month.

Tip statements provided to employers should include the following information:

- Employee name, address, and social security number
- Employer's name, address, and business name
- The month (or the dates of any shorter period) in which tips were received
- The total tips required to be reported for that period

Employees must sign and date the statement and keep a copy for their tax records.

Note: There is a penalty to employees for not reporting tips. If an employee does not report tips to their employer as required, they may be subject to an IRS penalty equal to 50% of the Social Security and Medicare taxes owed on the unreported tips.

Reporting Tip Income – Employer Responsibility

The employer has multiple obligations regarding employee tip income including recordkeeping and reporting responsibilities, collecting taxes on tips, filing certain forms and paying or depositing taxes. Tips employees receive from customers are generally subject to federal and Vermont income taxes, Social Security, and Medicare taxes.

Employers are required to:

- Collect and retain employee tip reports monthly and retain a copy
 - The Department recommends employers track credit card tips monthly to confirm and reconcile employee self-reported tips.
- Withhold and deposit taxes
- Withhold employee's share of Social Security tax and Medicare tax based upon wages and tip income received by the employee as well as the tip income reported to the employer by the employee
- Pay/deposit both the employee and employer shares of Social Security and Medicare taxes based on the total wages paid to tipped employees, as well as the tip income reported to the employer by the employee
- Include tip earnings on W-2 Form reported to the IRS
 - Box 1 (Wages, tips, other compensation),
 - Box 5 (Medicare wages and tips), and
 - Box 7 (Social security tips)
 - *For more information, see [General Instructions for Forms W-2 and W-3](#)*
- File [Form 941, Employer's Quarterly Federal Tax Return](#) reported to the IRS
- File [Form 940, Employer's Annual Federal Unemployment \(FUTA\) Tax Return](#)
 - FUTA tax is paid by the employer and is not withheld from the employee's wages.

Taxability of Tips, Service Charges, and Fees

Withholding Tax (WHT) and Employee W-2 Reporting

- All cash and non-cash tips received by an employee are income and are subject to federal and Vermont income taxes.
- Employers must file and remit federal and Vermont Withholding Tax on all cash and non-cash tips.
- Service charges distributed to employees must be treated as wages to those employees.
 - The employer must keep a record of the name, address, and Social Security number of the employee, the amount and date of each payment, and the amount of income, Social Security, and Medicare taxes collected with respect to the payment.

Business Income

Service charges are always income to the business regardless of whether the employer distributes all or a portion of the service charges to employees.

In that tips are voluntarily paid by customers to employees, tips are not gross income to the employer.

Vermont Meals and Rooms Tax

- A restaurant may impose a service charge via a policy (like a gratuity for a large parties), and this amount is not subject to Meals Tax as long as the full amount of the gratuity is given to the server or tip pool.
- Any portion of a service charge that is more than 20% of the bill/invoice/statement must also be reported as taxable for Vermont meals and rooms, even if fully distributed to service employees (see definition below). These charges must be included when reporting sales on the [Vermont MRT-441](#).
- A service charge that does not exceed 20% of the bill/invoice/statement that is separately accounted for and fully distributed to service employees, in addition and supplemental to normal salary and wages, is treated like a tip and is not reported as taxable for Vermont meals and rooms purposes.
- Service charges distributed to non-service employees must be considered part of the meal charge and reported as taxable for Vermont meals and rooms purposes.
- Additional fees and surcharges such as “back of house revenue share,” “kitchen fee,” and “takeout fee” are subject to Meals Tax and must be included in the Meals Tax base calculation.

Who Is a Service Employee

“Service employees” are employees who directly serve patrons of the restaurant, including wait staff and bartenders.

Who Is Not a Service Employee

- Those who do not ordinarily and regularly directly serve the customer, such as host/hostess, expeditors, bussers, janitorial staff, managers, cooks, kitchen staff, and dish washers, are not considered service employees.
- If you charge a fee that is directed to those who are paid on a wage scale unaffected by tips and the basic wage rate and tip credit, these are not service employees and these charges must be included in the Meals Tax base and the business’ income for income tax purposes. See Vermont Department of Labor guidance: [Information on Tipped and Service Employees](#).
- For Meals and Rooms Tax purposes, business owners and operators are not service employees, even when they perform functions typically performed by service employees.

- Any portion of the service charge retained by the business owner or operator and/or non-service employees rather than by service employees, becomes a part of the charge to the customer and thus is subject to Meals and Rooms Tax.

If an employer retains tips and includes them in their business receipts, the business receives more than the published charge and the tip becomes subject to Meals Tax. This includes:

- Tip money used to pay salary or wages
- Tips retained by the employer and not distributed to service employees, and
- Tips retained by an employer and paid to service employees in the form of a bonus

Vermont Meals and Rooms Tax: Taxability of Tips and Charges for Service

Action	Tax Obligation
Tips left voluntarily by customers	No Meals and Rooms Tax applies but may be subject to withholding for income tax.
Charges for service added to the bill by owner-operator and distributed to service employees	The portion distributed to employees that is more than 20% of the bill is subject to Meals and Rooms Tax.
Charges for service retained by the owner-operator	Entire charge for service is subject to Meals and Rooms Tax.

For additional guidance on tips please see IRS Publication 15 (www.irs.gov).

Non-food Sales and Purchases – Sales and Use Tax

Sales to Customers - Sales Tax

A business is required to collect 6% Sales Tax and any applicable Local Option Tax (LOT) on any sale of [tangible personal property](#), unless a sale is exempt by Vermont's tax laws. Sales Tax must be collected at the time and place of the sale. Sales Tax is destination-based, meaning the tax is applied based on the location where the buyer takes possession of the item or where it is delivered.

This section covers Sales and Use Tax topics for restaurants and other foodservice businesses.

Retail sales

Retail items such as pint glasses, sunglasses, handbags, jewelry, wallets, and stickers are taxable, therefore Sales Tax must be charged.

Most clothing items are exempt from Sales and Use Tax. Exempt items include shirts, aprons, shoes, belts, hats, and even costumes. See the [list of items exempt from Sales and Use Tax](#) on the Department's website for more information.

Amusements, Entertainment, and Tours

Amusements and tours by for-profit entities are almost always taxable. Admission, such as cover charges or fees for facility or historical tours, live music or events, excursions, games, interactive activities, paint and sip events, etc., are all subject to the 6% Sales Tax.

However, bundled transactions are charged at the highest applicable tax rate associated with the transaction.

- If a meal is bundled with an event, such as live music, the whole transaction is subject to the 9% Meals Tax.
- If an alcoholic drink and meal are bundled with an event, such as live music, the whole transaction is subject to the 10% Alcohol Tax.

Purchases and Rentals made by Restaurants - Sales and Use Tax

This section covers what businesses need to know about making purchases or rentals for their business operations.

Most items (with the exception of most food products) purchased to be used by a business in the food industry are taxable. Examples include but are not limited to paper products, cutlery, dishes, office products, decorations, cleaning supplies, toiletries, appliances, furniture, computers and software, advertising materials, etc.

Sales Tax: Purchases of tangible personal property are subject to 6% Sales Tax, unless a sale is exempt by Vermont's tax laws.

Use Tax: Use Tax is paid by the purchaser of an item when the purchase is made from a vendor that is not registered by the State of Vermont to collect Sales Tax. This most often occurs when making:

- Internet purchases
- Purchases from vendors located in states which do not impose sales tax, or

- Purchases from vendors located in states which impose a rate lower than Vermont's 6%

In that situation, the Use Tax amount due will be 6% or the difference between the lower tax paid in the place of origin and Vermont's 6% Sales Tax.

Local Option Tax (LOT) does not apply to Use Tax. Use Tax is filed and remitted using the same method as Sales Tax.

Rentals

Rentals of tangible personal property are subject to Vermont Sales and Use Tax. When a food service business rents items for its own use, like tableware or linens, it must pay Sales and Use Tax for the rental. Rentals of uniforms and aprons are not subject to Sales and Use Tax because they are clothing.

Businesses that Sell Both Prepared Food and Grocery Items

Some Vermont businesses combine a restaurant with another type of business, such as a convenience store or general store. To determine whether their sales of prepared food make them a restaurant, business should consult the state definition:

A restaurant is defined as:

- An establishment that charges for food or beverage intended for immediate consumption, **or**
- An establishment that has made total sales of food or beverage in the previous taxable year of at least 80% taxable food and beverage, **or**
- A new establishment that projects its total sales for the first year to be at least 80% taxable food and beverage.

For businesses that are considered "restaurants," food and beverage sales are subject to Meals Tax instead of Sales Tax. However, "[non-taxable meals](#)," such as grocery items, are not taxable for either Sales Tax or Meals Tax.

Note: Businesses should always take care to track the percentage of taxable food and beverages. If they cross the 80% threshold but continue to only collect Sales Tax, the business will be liable for the difference between Sales Tax and Meals and Rooms Tax.

Tip for non-restaurants: Some items are subject to Meals Tax even when sold by a business not defined as a restaurant. Examples include sandwiches (except frozen), heated food or beverages, items from a salad bar, party platters, and prepared food.

Manufacturing

Some food service businesses are also manufacturers, such as breweries, wineries, and distilleries. Manufacturing involves a few complex sales tax exemptions. These businesses should review the Vermont Department of Taxes publication [Brewers, Winemakers, and Distillers: Vermont Taxes and the Manufacture and Sale of Alcoholic Beverages](#).

Tip: Malt and Vinous Beverage Tax applies when a foodservice business bottles, manufactures, or rectifies alcoholic beverages. Ready-to-drink spirits beverages are also category of beverages subject to malt and vinous beverage tax. The tax is computed on gallons sold by bottlers or wholesalers and filed using forms MVB-612 and MVB-613 as applicable. See the Vermont Department of Taxes publication [Brewers, Winemakers, and Distillers: Vermont Taxes and the Manufacture and Sale of Alcoholic Beverages](#) for more information.

Pennies and Cash Transactions

The U.S. Treasury has stopped minting pennies. While pennies are still legal tender, they are becoming less common. If your business chooses to make change without pennies during cash transactions, follow this guidance outlined in VT Act 168 of 2026:

- Round up or down **after** totaling the purchase, taxes, and fees.
- Cash totals ending in \$0.01, \$0.02, \$0.06, or \$0.07 are **rounded down**.
- Cash totals ending in \$0.03, \$0.04, \$0.08, or \$0.09 are **rounded up**.

This law only affects cash transactions. It does not include electronic payments, payments of wages, or rebates.

Barter Transactions

Generally, non-monetary or barter transactions are taxable transactions under the Meals and Rooms Taxes and Sales and Use Taxes as applicable. For more details, see [Technical Bulletin 27, Computation of Tax in Non-monetary \(Barter\) Transactions](#).

Guidelines for Tax-Exempt Nonprofits

Many nonprofit organizations that qualify for an exemption from federal income tax are also exempt from Vermont income tax. However, nonprofits are generally not exempt from paying other state taxes, such as Vermont Meals and Rooms Tax and Vermont Sales and Use Tax.

Exemptions from Vermont Meals and Rooms Tax are limited. All federally designated tax-exempt nonprofit organizations, no matter their IRS exempt designations, must pay tax when buying meals. When selling meals, nonprofits must charge, collect, and pay Vermont Meals and Rooms Tax **unless specifically exempted**.

Taxes are due on most purchases and sales made by nonprofits. Only federally designated 501(c)(3) tax-exempt nonprofit organizations are normally exempt from Vermont Sales Tax when making purchases of items that are taxable in Vermont.

The rules for the sale of alcoholic beverages by nonprofits are the same as for other businesses. A license to sell malt, vinous, and spirituous liquors must be obtained from the [Vermont Division of Liquor Control](#). The nonprofit must charge, collect, and remit tax on alcoholic beverages to the Vermont Department of Taxes.

If your eligible 501(c)(3) nonprofit wants to use the exemption to buy items subject to Sales Tax in Vermont, you must first [register for a Vermont Business Tax Account](#) with the Vermont Department of Taxes. Likewise, if you are selling, you must also have a Business Tax Account with the Vermont Department of Taxes. More information about [nonprofits](#) and when they are exempt from Vermont tax is available on the Department's website.

Quick Tax Reference Table for Nonprofits

Nonprofit Type	Buying	Selling
501(c)(3)	Tax exempt	Tax exempt (see below for exception)
Exception: 501(c)(3) with more than \$20,000 in sales in previous year	N/A	Must charge, collect, remit Sales Tax for current year
501(c)(3) charging admission to events	N/A	Tax exempt (see below for exception)
Exception: 501(c)(3) with gross sales of more than \$100,000 in previous year	N/A	Must charge, collect, remit Sales Tax for current year
501(c)(19)	U.S. Flags only—tax exempt	U.S. Flags only—tax-exempt

Nonprofit Type	Buying	Selling
Tax-Exempt orgs other than 501(c)(3)s	Must pay Sales and Use Tax	Must charge, collect, remit Sales Tax for current year (see below for exception)
Exception: Tax-exempt orgs other than 501(c)(3)s charging admission to an event	N/A	Exempt from Sales Tax only when all three criteria are met: 1) No more than four special events in a calendar year; 2) Held over no more than four days; and 3) Open to the public
Tax-exempt nonprofits other than 501(c)(3)s from another state	Subject to Vermont sales and use laws	Subject to Vermont sales and use laws

Vermont Business Tax Account, License, and Filing

- All businesses, including nonprofits, must register for a Vermont Business Tax Account and license prior to collecting tax.
 - Registration is free.
 - All businesses must display their licenses for customers at each location as authorization to collect tax on behalf of the state of Vermont.
- Businesses with more than one location must obtain separate licenses and file separate returns for each location.
 - Businesses with no permanent location in Vermont, such as cart vendors, may obtain one license.

For information on how to register for a business tax account, please see [Register for a Business Tax Account](#) on the Department's website.

How to File Meals and Rooms and Sales and Use Taxes

Online: Taxpayers may file returns and pay tax due for Meals and Rooms and Sales and Use Taxes using [myVTax](#), Vermont's free, secure, online filing site. Taxpayers who have sales subject to Local Option Tax (LOT) must file electronically.

E-file Requirement for Multiple Locations: If you pay taxes for multiple locations, you must file and pay electronically. The director of the Division of Taxpayer Services will consider a written request for an exemption based on extraordinary circumstances.

E-file Requirement for Tax Exceeding \$100,000: If your total Meals and Rooms and Sales and Use Tax remitted for the prior calendar year exceeded \$100,000, you must file and pay electronically. The director of the Division of Taxpayer Services will consider a written request for an exemption based on extraordinary circumstances.

Paper Returns: If you have a single location, do not make sales subject to Local Option Tax (LOT), and cannot file and pay through myVTax, you may use the paper forms.