

Taxation of Chips and Soft Drinks in Vermont

Depending on the circumstances, chips and soft drinks may be subject to Vermont Sales and Use Tax, Vermont Meals and Rooms Tax, or not be subject to any tax in Vermont. The first step is to determine what kind of business you are operating—a grocery, a restaurant, or some combination of these. If the chips and soft drinks are [sold from a vending machine](#), they may also be subject to meals tax. The last step is to determine whether an exemption based on location, customers served, or type of organization makes the sales nontaxable. The information here is compiled from Vermont Statute and Regulations. Links to the relevant sources are located in the Resources section at the end of Page 3.

If you have questions about how to properly apply the Vermont Sales Tax or Meals Tax to your sales of food or beverage, please contact the Department of Taxes at tax.business@vermont.gov or call 802-828-2551.

Definition of Soft Drinks

Sales of soft drinks are subject to the Vermont Sales and Use Tax when they are neither taxed under nor exempted from the meals tax. A soft drink is a nonalcoholic beverage that contains natural or artificial sweeteners. Soft drinks are not beverages that contain milk or milk products, soy, rice, or similar milk substitutes, or beverages that contain greater than 50% of vegetable or fruit juice by volume. Get more [information on soft drinks](#).

Local Option Tax

In a jurisdiction (city or town) that charges a 1% local option tax on sales of taxable meals, vendors must also collect local option tax on every transaction to which the state taxes apply (sales tax or meals tax). The City of Burlington and the City of Rutland impose their own meals, entertainment, and lodging taxes under their city charters. These two cities administer and collect their taxes. Vendors who do business in Burlington or Rutland should contact the city for information about these taxes. Get more [information on Local Option Tax](#).

Questions

Please use the question and answer format below to determine whether you must charge tax on chips and soft drinks.

1. Is your establishment a restaurant?

Under Vermont Statute and the Vermont Meals and Rooms Tax Regulations, your establishment is defined as a restaurant if you answer “yes” to any of these questions:

YES

- Does your establishment charge for food or beverage intended for immediate consumption?
- Has your establishment made total sales of food or beverage in the previous taxable year of at least 80% taxable food and beverage, or?
- Are you a new establishment that projects its total sales for the first year to be at least 80% taxable food and beverages?

The following are examples of types of establishments that are considered to be restaurants:

- Bar or tavern
- Café
- Cafeteria
- Caterer
- Diner
- Dining room
- Lunch counter
- Private or social club
- Salad bar
- Snack bar—no seating
- Street vendor, food cart, or food truck
- Theater concessions

As these establishments are considered restaurants, the food or beverage they sell is generally subject to meals tax.

The 80% rule for restaurants

As a result of the 80% rule, less-traditional venues, such as all or portions of grocery or convenience stores that serve taxable food or beverage, may be restaurants for meals and rooms tax purposes.

A bag of chips or any type of soft drink sold by a restaurant is subject to the meals tax. To see if you may benefit from an exemption, **skip to Question 4**.

NO

If you answered no to all questions, then your establishment is not a restaurant.
Continue to Question 2.

2. Is your establishment a grocery or convenience store?

YES

Meals Tax

A bag of chips or a bottled or canned soft drink sold in a grocery or convenience store is exempt from meals tax. Fountain drinks, however, are subject to meals tax. In addition, if your establishment sells food or beverage through a vending machine, **see Question 3**.

Exception for a Snack Bar

A snack bar is a counter with no seating where prepared food is only offered for self-service. Typically, meals sold from a snack bar are taxable. However, a snack bar located in a grocery or convenience store is not a restaurant under the meals tax, and so no meals tax is due on a bag of chips or bottled or canned soft drink, but meals tax is due on fountain drinks. In addition, sales tax is due on a bottled or canned soft drink.

Sales Tax

A bottled or canned soft drink sold in a grocery or convenience store is generally subject to sales tax, but not meals tax.

Exception for SNAP Benefits

Bottled or canned soft drinks purchased with 3SquaresVT (SNAP) benefits only, which includes an EBT card, but not cash, check, or debit, are not subject to sales tax.

NO

Continue to Question 3.

3. Are the sales made from a vending machine?

YES Bags of chips or soft drinks sold through a vending machine are subject to meals tax.

Many meals tax exemptions exist, depending on:

1. Where the machine is located, (e.g., in a school, government building, or hospital)
2. Who has access to it or purchases from it, (e.g., SNAP beneficiaries, government employees, incarcerated individuals).
3. The organization or entity that operates it (e.g., a nonprofit organization, care home, correctional facility).

For help determining whether or not the meals being sold from a vending machine are subject to meals tax see the [“Other Materials”](#) below.

If yes, continue to Question 4.

NO Stop. Meals tax does not apply.

4. Are the sales subject to a meals tax exemption?

YES A bag of chips or a soft drink sold as a meal may be exempt from meals tax, depending on:

1. The location of the meals sold,
2. The customer served, and
3. The organization selling the meals.

NO The exemption does not apply. You must collect meals tax.

Resources

The information provided in this fact sheet was compiled from these legal sources:

[32 V.S.A. Chapter 225 Vermont Meals and Rooms Tax Chapter](#)

- See, notably, [32 V.S.A. § 9202 Vermont Meals and Rooms Tax Definitions; Exemptions](#)

[32 V.S.A. Chapter 233 Sales and Use Tax Chapter](#)

- See, notably, [32 V.S.A. § 9701 Sales and Use Tax Definitions](#)
- and [32 V.S.A. § 9741 Sales and Use Tax Exemptions](#)

[Vermont Meals and Room Tax Regulations](#)

[Vermont Sales and Use Tax Regulations](#)

Other Materials

[More information on Soft Drinks](#)

[More information on Vending Machine Sales](#)

[Fact Sheet: Vermont Meals Tax on Vending Machines](#) (includes reference tables)