



**CDTFA**  
CALIFORNIA DEPARTMENT OF  
TAX AND FEE ADMINISTRATION

# Grocery Stores





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## Food service operations

### *Food sold for consumption at tables, chairs, or other facilities, that you provide*

If your store has a snack bar, soda fountain, cafeteria or a similar operation, you must report sales tax for sales of sandwiches, ice cream, and other foods if those foods are sold in a form for consumption at tables, chairs, or counters or from trays, glasses, dishes or other tableware that you provide. For example, if you provide either a stand-up or sit-down counter in the delicatessen section, tax applies to food sold for consumption at the counter.

### *To-go sales*

In general, sales of cold food to go are not subject to tax. If you claim an exemption from tax for cold food sold to go, you must show that no facilities are provided where the food can be consumed immediately. If facilities are provided, you must segregate your receipts of the nontaxable sales from the taxable “for here” sales. Your receipts could include tapes from a separate cash register key, copies of sales slips, or some similar record that can be verified by audit.

- You can elect to charge tax on to go sales of cold food if more than 80 percent of your store’s sales are from the sale of food products and more than 80 percent of your store’s sales are taxable dine-in or hot food sales.

### *Catering*

You are considered a caterer for tax purposes if you serve meals, food, and drinks on the premises of your customers. If you make sales as a caterer, please see [publication 22, Dining and Beverage Industry](#). Please also refer to the [For More Information](#) section.

If you deliver food and you do not use your employees or your own dishes, flatware, etc., to serve food, you are considered a food seller rather than a caterer. As a food seller, tax applies to your sales as described in this publication.

## Miscellaneous charges and transactions

The following information applies to a variety of sales and charges that occur at grocery stores.

### *California Redemption Value (recycling fee)*

California Redemption Value (CRV) Table	
Beverages subject to the CRV when sold in glass, plastic, aluminum, and certain other metal containers (if in liquid, ready-to-drink form and intended for people to drink)	Not subject to the CRV, regardless of the container type
Water (carbonated and noncarbonated)	Milk
Coffee and tea drinks	Medical food (such as amino acid-free food)
Soft drinks, sport drinks, and fruit drinks (carbonated and noncarbonated)	Infant formula
Beer and other malt beverages	Wine, including nonalcoholic and sparkling
Wine and distilled spirit coolers containing seven percent or less alcohol	Distilled spirits with more than seven percent alcohol
Vegetable juice in containers of 16 ounces or less	Vegetable juice in containers more than 16 ounces
100 percent fruit juice in containers of less than 46 ounces	100 percent fruit juice in containers of 46 ounces or more

Tax sometimes applies to your CRV charges for nonrefillable containers. If sales tax applies to the sale of the beverage, the CRV charge is taxable. If sales tax does not apply to the sale of the beverage, the CRV charge is not taxable.



### When is the rebate or incentive payment taxable?

Payments received through a third-party rebate or incentive program are part of your total taxable sales when all three of the following conditions exist:

1. The third party *requires* you to reduce the sales prices of particular products in order to receive payments for the discounted amount from the third party.
2. Conditions for receipt of payment are *certain*, and not dependent on other factors outside your control. (The term “certain” means conditions in the agreement that you have control over. For example, you will receive payment from the third party if you place product signs in your store.) An example of a factor outside your control would be that you receive payment only if you meet a sales quota for the discounted products within a specific time period.
3. The payment is for a *like* amount on a transaction-by-transaction basis (payment must be tied to the specific sale of the particular product in the agreement). The third party reimburses you for the specified price reduction in the agreement.

If all of these conditions are met as part of the incentive program, the third-party payment is part of your taxable gross receipts. When reporting your sales, you must include the total amount you receive from your sales of the particular products—including the amount paid by the customer and the amount that will be paid by the third party as reimbursement for the price reduction.

Here are two examples where the value of a buy-down rebate program and a manufacturer coupon are part of your gross receipts (or sales price if subject to use tax) from the sale of the product:

1. You purchase bottle openers directly from the manufacturer and you enter into a buy-down rebate program with them. Assume you normally sell the bottle openers for \$5.00, but under a buy-down rebate plan, agree to sell the bottle openers for \$4.50 and receive \$0.50 from the manufacturer. The tax amount due is based on your gross receipts for the sale—which includes both the rebate amount and the amount paid by your customer; therefore, tax is due based on the \$5.00 you receive for the entire sale.
2. A customer clips a coupon out of a newspaper and presents it to you at the time of sale to receive a discounted price on the product purchased. The coupon indicates “manufacturer coupon.” Since the manufacturer will compensate you for the amount of the price reduction and the customer presents a manufacturer coupon to you, the value of the coupon is included in your gross receipts. Tax is based on the full retail selling price of the product, which is the amount paid by your customer and the amount of the manufacturer’s coupon.

### **Promotional programs offered by third parties**

When you participate in a promotional program, the payments you receive from a person other than your customer are presumed taxable until you can present documentation to establish the payments as being nontaxable. Please see [Regulation 1671.1, Discounts, Coupons, Rebates, and Other Incentives](#), for additional examples of documentation that would be used to accomplish this.

When you collect sales tax, or if you are required to collect the use tax, you must let the customer know the amount on which they are paying tax. This includes the amount of any taxable discounts, rebates, or incentives offered or paid to you by third parties. Even though the customer buys an item at a discounted price, you collect tax for the full retail (prediscounted) price. You may itemize this amount on the customer’s receipt, sales invoice, or other proof of sale.

When applicable, you may also post a notice in a location visible to your customer, or in advertisements, flyers, or brochures sent to customers. The notice should indicate that tax will be added to the sales price of all items and that the tax includes the amount of any taxable discounts or rebates.









































