



How much do you know?

Test your knowledge of sales and use tax issues related to the grocery store industry.

1. Is tax applied to the California Redemption Value (CRV) when a taxable beverage is sold?
Yes No
2. Are diabetic supplies such as insulin, syringes, and test strips sold in your pharmacy under a physician's direction taxable?
Yes No
3. You offer your customers a store discount on taxable merchandise. No amount is received as payment from a third party. Does the customer pay taxes on the original full price?
Yes No
4. When your deli sells two or more food items together in a package to-go for a single price, does the application of tax depend on the components of the package?
Yes No

1. Yes, generally, if the sales of the beverage is taxable, tax also applies to the separate charge for the CRV.

2. No, tax does not apply to sales or use of insulin and syringes, glucose test strips or skin puncture lancets that are furnished by a pharmacist as directed by a physician.

3. No, tax applies only to the discounted amount you charged.

4. Yes, tax may apply depending on the components of the package. If you include a hot food or hot beverage item, the entire to-go package is taxable. If you sell a combination package to-go that includes cold food and soda, only the selling price of the soda is taxable.

Answers:



Although they differ in size, all grocery stores have something in common: the inventory is composed of many different items. Tax may apply to the sale of these items depending on what the item is and how it is sold.

It is essential to understand the taxability of sales of food, merchandise, and other products that grocery stores sell.

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Tax Help for Grocery Stores



California Department of
Tax and Fee Administration



Grocery stores play an important role providing all Californians with their daily needs, from the family dinner to the quick stop for people on the go. They range in size from the small (mom and pop) corner store, to the convenience store, to the large national chain supermarket.

Taxes you pay to the state help fund state and local services as well as programs important to you and your community.

Thank you for your contributions to California.



CDTFA CAN HELP

The CDTFA's *Tax Guide for Grocery Stores* will help you understand how tax applies to:

- Coupons and rebates
- Cigarette, tobacco, and alcohol products
- Items purchased with food stamps
- Combination food packages
- Prescription and over-the-counter medications
- Hot and cold food sales
- Items purchased for resale
- And much more

This guide provides resources you need to comply with California's sales tax laws.

You can access all the industry guides including the one on grocery stores at:

www.cdtfa.ca.gov/industry



Helpful Tax Tips for Grocery Stores

Vitamin enhanced water

Noncarbonated, vitamin enhanced water beverages and sport drinks that come in packages similar in size and volume to nonenhanced bottled water are generally considered food products. Your sales of these products on a to-go basis are generally not subject to tax.

Noncarbonated bottled water is a food product. The compounding of nutritional elements, such as vitamins, in an item traditionally accepted as food, such as vitamin enriched bread, does not alone render the product taxable nor does including the word "vitamin" in a food product name, description, or product advertising.