



Iowa Sales Tax on Food

Information for businesses
from the

IOWA  Department of **REVENUE**

Isn't Food Exempt from Iowa Sales Tax?

Sometimes

The type of food purchased determines if it is taxable or exempt.

What Types of Food are Exempt?

The following are exempt from tax:

- eligible items purchased with Food Stamps
- most non-prepared food / groceries

List of Exempt Food & Beverages

- Bread and flour products
- Bottled water
- Cereal and cereal products, unless taxable as candy in the form of a bar
- Cocoa and cocoa products, unless taxable as candy
- Coffee and coffee substitutes
- Cooking ingredients
- Dietary substitutes and specialty foods
- Eggs and egg products
- Fish and fish products
- Frozen foods
- Fruits / fruit products / fruit juices containing more than 50% fruit or vegetable juice
- Ice, unless specifically labeled for nonfood use
- Meats and meat products
- Milk and milk products, including packaged ice cream products
- Oleomargarine, butter, and shortening
- Snack foods, spices, condiments, extracts, and artificial food coloring
- Sugar, sugar products and substitutes, unless taxable as candy
- Tea
- Vegetables and vegetable products

What Types of Food are Taxable?

The following are taxable:

- candy
- certain beverages
- prepared food / restaurants

List of Taxable Food & Beverages

- Alcoholic beverages
- Candy, candy-coated items, and candy products
- Certain beverages, including those with 50% or less fruit or vegetable juice
- Dietary supplements
- Chewing gum
- Pet foods
- Tonics
- Vitamins and minerals

What is Taxable as Candy?

- candy, candy-coated items, and candy products include preparations normally considered to be candy
- fruits, nuts, or other ingredients in combination with sugar, chocolate, honey, or other natural or artificial sweeteners in the form of bars, drops, or pieces
- sweetened baking chocolate in bars, pieces, or chips
- caramel wraps, caramel or other candy-coated apples or other fruit
- sweetened coconut
- marshmallows
- hard or soft candies including jelly beans, taffy, licorice, and mints
- dried fruit leathers or other similar products prepared with natural or artificial sweeteners
- ready-to-eat caramel corn, kettle corn, or other candy-coated popcorn
- granola bars
- candy breath mints
- mixes of candy pieces, dried fruits, nuts, and similar items when candy is more than an incidental ingredient in the product
- candy primarily intended for decorating baked goods

What is Exempt Because it's Not Considered Candy?

(unless taxable as prepared food)

- jams, jellies, preserves, or syrups
- frostings and other decorating ingredients
- dried fruits
- marshmallow cream
- breakfast cereals
- prepared fruit in a sugar or similar base
- ice cream, popsicles, or other frozen desserts covered with chocolate or similar covering
- unsweetened baking chocolate
- unpopped caramel corn, kettle corn, or other candy-coated popcorn
- cakes and cookies
- candy containing flour, unless the flour is added only to exclude its sale from tax
- cotton candy, unless taxable as prepared food
- crackers
- marzipan
- unsweetened coconut

What Are Taxable Beverages?

- carbonated and noncarbonated soft drinks, including but not limited to colas, ginger ale, near-beer, root beer, lemonade, orangeade
- all other drinks or punches with natural fruit or vegetable juice which contain 50 percent or less by volume natural fruit or vegetable juice; a typical example is Hi-C
- naturally sweetened or artificially sweetened water
- beverage mixes and ingredients intended to be made into taxable beverages; liquid or frozen, concentrated or non-concentrated, dehydrated, powdered, granulated, sweetened or unsweetened, seasoned or unseasoned
- concentrates intended to be made into beverages which contain 50% or less by volume natural fruit or vegetable juice
- all alcoholic beverages

What Are Exempt Beverages?

(unless taxable as prepared food)

- bottled water, including effervescent and noneffervescent water, soda water, mineral water (non sweetened)
- tea and coffee (including bottled), unless sweetened
- milk and beverages that contain primarily dairy products or ingredient bases, such as egg nog
- beverages that contain natural fruit or vegetable juice of more than 50% by volume (providing the container's label shows the percentage of natural fruit or vegetable juice)
- soy, rice, or similar milk substitutes
- infant formula
- nondairy coffee creamers in liquid, frozen, or powdered form
- sugar or other artificial or natural sweeteners sold separately
- beverage in concentrate or mix form to be made into an exempt beverage, such as frozen orange juice or apple juice
- concentrates which when reconstituted are equivalent of more than 50% natural fruit or vegetable juices
- mixes intended to be mixed with milk or dairy products, such as Nestle's Quik
- specialty foods that are liquids or that are to be added to a liquid and that are intended to be a substitute in the diet of more commonly used food items are exempt, such as infant formulas
- beverage-grade carbon dioxide gas

What is Taxable as Prepared Food?

- Food sold in a heated state or heated by the seller, including food sold by a caterer
- Two or more food ingredients mixed or combined by the seller for sale as a single item
- Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport food.

What Type of Businesses Usually Sell Prepared Food?

- restaurants
- coffee shops
- cafeterias
- convenience stores
- snack shops
- concession stands
- mobile vendors

Examples of Prepared Food

- A supermarket retailer cuts Bibb and romaine lettuce, mixes them together, and further mixes with a salad dressing, which is placed in a container and sold as a salad which is ready to eat. Sale of the salad is a taxable sale of prepared food.
- A supermarket retailer slices a roll of cotto salami and a roll of regular salami. The retailer takes the sliced salami, places it between two slices of bread, adds some condiments, surrounds the meat, bread, and condiments with plastic, and sells the result as a ready-to-eat sandwich. The sale of the sandwich is taxable.

What is Exempt Because it isn't Considered Prepared Food?

- Food that is only cut, repackaged, or pasteurized by the seller.
- Eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the United States Food and Drug Administration in Chapter 3, Part 401.11 of its Food Code, so as to prevent food-borne illnesses.
- Bakery items sold by the seller that baked them. The term “bakery items” includes but is not limited to breads, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas. Baked goods sold for consumption on the premises by the seller that baked them are sold exempt from tax.
- Food sold in an unheated state as a single item without eating utensils provided by the seller which is priced by weight or volume.

Examples that aren't Considered Prepared Food

- A supermarket retailer cuts Bibb and romaine lettuce, mixes them together, and places them in a bag for sale. This is food that is only cut and repackaged. Its sale is not the sale of prepared food; therefore, its sale is exempt from tax.
- A supermarket retailer slices a roll of cotto salami and a roll of regular salami. The retailer places 10 slices of each in the same container and sells the combination as an Italian luncheon meat variety pack. This is, again, the sale of food which is only cut and repackaged. The sale of the salami is exempt from tax.

How are Sales from a Grocery Store Deli Handled?

- Sales of prepared foods from a grocery store deli are generally subject to sales tax.
- If several items are sold together as part of a meal and they are not separately itemized, the total amount charged for the meal is subject to sales tax. A meal might include a loose-meat sandwich, a bag of potato chips, and a soft drink for a single, combined price. The full amount of the sale is taxable.
- Many delis take surplus food and package it and place it in a cooler separate from the deli counter. Generally, sales of this food are exempt from sales tax. Cole slaw, baked beans, and potato salad sold in various size containers are exempt from sales tax because they are not sold with eating utensils and are priced by weight or volume.
- However, meals prepared by the retailer and stored in a cooler are subject to sales tax because they are not priced by weight or volume. Typical examples include a meat loaf sandwich or a Chinese meal.

Questions?

- For more information see the publication titled [Iowa Sales Tax on Food](#)
- Call us: 8 a.m. - 4:15 p.m. CT
515-281-3114 or
1-800-367-3388 (Iowa, Omaha, Rock Island, Moline)
- E-mail us at idr@iowa.gov