

**State and Local Sales Tax Treatment on
Food for Home Consumption and Medical Spending**

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I) Sales Tax on Food for Home Consumption

1) Ten states levy state sales tax on food consumed at home *at the full rate* (tax rates in parentheses):

Alabama (4%)	Arkansas (6%)
Hawaii (4%)	Idaho (5%)
Kansas (5.3%)	Mississippi (7%)
Oklahoma (4.5%)	South Carolina (5%) [farmers pay a lower rate]
South Dakota (4%)	Wyoming (4%)

2) Five states levy state sales tax on food consumed at home *at reduced rates*:¹

Illinois (1% rather than 6.25%)	Missouri (1.23% rather than 4.23%)
Tennessee (6% rather than 7%)	Virginia (2.5% rather than 5%)
West Virginia (5% rather than 6%)	

3) In three states, sales tax on food is levied *only by local governments*:

Georgia (4%)	Louisiana (4%)	North Carolina (4.25%)
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4) Twenty-seven states & the District of Colombia *exempt* food consumed at home from state sales tax:

Arizona (5.6%)	California (7.25%)	Colorado (2.9%)
Connecticut (6%)	DC (5.75%)	Florida (6%)
Indiana (6%)	Iowa (5%)	Kentucky (6%)
Maine (5%)	Maryland (5%)	Massachusetts (5%)
Michigan (6%)	Minnesota (6.5%)	Nebraska (5.5%)
Nevada (6.5%)	New Jersey (6%)	New Mexico (5%)
New York (4%)	North Dakota (5%)	Ohio (5.5%)
Pennsylvania (6%)	Rhode Island (7%)	South Dakota ((4%)
Texas (6.25%)	Vermont (6%)	Washington (6.5%)
Wisconsin (5%)		

5) Five states do not impose state sales tax:

Alaska	Delaware	Montana
New Hampshire	Oregon	

6) Hawaii, Idaho, Kansas, Oklahoma, South Dakota, and Wyoming tax food at the full state sales tax rate, but allow tax credits.²

A) Hawaii repealed its food tax credit in 1999, and put in place a larger tax credit targeted on low-income families: however, it is no longer called a 'food tax credit.'

¹ Arkansas appears to be in the process of cutting its sales tax on food from 6% to 3%.

² As of January 1, 2005 New Mexico no longer levies its gross receipts tax on food and medical services. Food is defined here to be staple grocery food items and cold prepared foods packaged for home consumption, and certain plants and seeds. This does not include nonfood items, such as soap, paper products, household and grooming supplies, cosmetics, hardware, toys, pet foods, or medicines sold in food stores, alcoholic beverages, any tobacco products, food eaten in the store, hot food, and restaurant food.

- B) Idaho permits a fixed “grocery” credit against individual income tax.
- C) Kansas allows a refund on property tax for families with relatively low annual “income,” if the household includes at least one person under 18, or one person over 55, or a blind or disabled person. Refunds depend on the number of family members.
- D) Oklahoma provides an income tax credit for sales tax on food. The credit is directed at low-income households.
- E) South Dakota provides an income tax credit for sales tax on food. The credit is directed at low-income households.
- F) Wyoming provides an income tax credit for sales tax on food. The credit is directed at low-income households.

II) Sales Tax on Medical Services and Supplies

- 1) Dentists, out-of-hospital nursing services, physicians, and medical test labs taxed as follows:
 - A) Delaware levies its 0.384% Gross Receipts Tax on receipts exceeding \$50,000.
 - B) Hawaii levies its 4% General Excise Tax on all receipts. Hawaii allows poor families to take an income tax credit for actual medical expenses, limited, except for the elderly.
 - C) New Mexico levies its 5% Gross Receipts Tax on all receipts, but the tax “may be deductible if the payment is made by a health service provider for commercial contract services.” (FTA survey footnote). New Mexico allows poor families to take an income tax credit for spending on prescription drugs (Due and Mikesell, page 85).
 - D) Washington levies its Business and Occupation tax of 1.5% on gross receipts of firms. However, these services are exempt from Washington’s 6.5% general sales tax.
- 2) Due and Mikesell (see the references below) say that exemptions for prescription drugs and some medical appliances are the most widespread sales tax exemptions. Illinois is the only state to levy its general sales tax on prescription drugs, though at a reduced rate (1% rather than 6.25%).

III) References

- Due, J., and J. Mikesell, 1994, *Sales Taxation: State and Local Structure and Administration*.
- Johnson, N., 2001, “Which States Tax Food...?” *Center on Budget and Policy Priorities*.
- Federation of Tax Administrators, 2007, “Comparison of State Tax Rates,” <http://www.taxadmin.org/>
- Federation of Tax Administrators, 2005, “Taxation of Services Update,” <http://www.taxadmin.org/>

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