Food and Food Ingredients
Also See Fact Sheets 102B, 102C, 102D and 102E

Food and food ingredients are exempt. Food and food ingredients mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value.

Examples of nontaxable food and food ingredients
The following items are generally exempt. However, if any of these items are prepared by the seller, sold with eating utensils provided by the seller, or sold through vending machines, they are taxable.

- baking powder
- baking soda
- beverage powders (unless dietary supplement)
- bread
- cakes and cake icing
- cereals
- cereal bars with flour
- chip dip
- chips (potato, corn, etc.)
- cocoa
- condiments
- cookies
- cooking oil
- dairy products
- dried fruit (without sweeteners)
- eggs
- fish
- flavorings
- flour
- food coloring
- frozen meals
- fruit juices (more than 50% juice)
- fruits
- gelatin
- granola
- gravies
- herbs (seasoning)
- ice cream, sherbet, and frozen yogurt, including prepackaged novelties
- ice cubes or blocks
- malted milk powder
- margarine
- meat
- nuts
- peanuts
- pies
- popcorn
- popsicles
- poultry
- pumpkins
- raisins
- relishes
- saccharin
- salad dressing
- salt
- sauces
- seasonings
- shortening
- spices
- spray candy
- sugar (including colored)
- sunflower seeds
- sweeteners
- tea (bags, leaves, or powdered)
- trail mix (prepackaged with candy)
- vegetables
- water

Taxable items
The exemption for food and food ingredients does not include candy, soft drinks, food sold through vending machines, prepared foods, alcoholic beverages, dietary supplements, and tobacco. Following is a list of items that are taxable because they fall into these subcategories that are specifically excluded from the food exemption. The taxable subcategory is noted in parentheses.

- baking chips, sweetened baking bars, candy-coated items (candy)
- beer (alcoholic beverage)
- beer nuts (candy)
- breath mints (candy)
- cake decorations (candy)
- cereal bars without flour
- dried fruit with sweeteners (candy)
- fruit drinks with 50% or less fruit juice (soft drink)
- gum (candy)
- herbal supplements (dietary supplement)
- honey roasted and honey coated nuts (candy)
- marshmallows (candy)
- party trays (prepared food)
- soda pop (soft drinks)
- sweetened baking bars or chips (candy)
- sweetened bottled water (soft drink)
- tea (with “supplement facts” label)
- tobacco products, except cigarettes which are not taxed at retail (tobacco)
- vitamins and minerals (dietary supplement)

Gift baskets and other combination packages (bundled transactions)
When a bundled transaction includes food and food ingredients special rules apply and the sale may or may not be taxable. The sale is taxable if:

1. the seller’s purchase price of the taxable items in the transaction is more than 50% of the total purchase price of all of the items in the transaction, or
2. the seller’s sales price of the taxable items in the transaction is more than 50% of the total sales price of the transaction.
Sellers cannot use a combination of the purchase price and sales price when making the 50% determination for a transaction.

Use tax is due on the seller’s cost of taxable items included in the bundle if:

1) the retail sale of the bundled transaction is not taxable, and

2) the seller’s purchase price of all taxable items in the bundled transaction is more than $100.

Example 1. A grocery store assembles and sells fruit baskets. The store purchases the baskets for $5.00 each and puts a variety of fruit into each basket that cost the store $7.00 per basket. Each fruit basket is sold for $20.00. Sale of the fruit baskets are not taxable, because the taxable item (the basket) costs less than 50% of the total purchase price of all of the items in the transaction. The store does not owe use tax on the purchase of the fruit baskets, because the store’s purchase price of the basket included in each sale is less than $100.00.

Example 2. A children’s store makes gift packages for new parents. The package sells for $300.00 and includes baby formula and other nontaxable items along with a baby monitor and a car seat. The transaction qualifies for the 50% test because baby formula is a food or food ingredient. The store uses its purchase price of the items in the transaction to determine the taxable percentage of the sale. The store’s purchase price of the nontaxable items in the gift package is less than 50% of the total purchase price of all the items in the package so the sale of the gift package is taxable. Since the retail sale is taxable, the store does not owe use tax on the taxable items included in the gift package.

Example 3. Same as Example 2, except that the store’s purchase price of the taxable items in the package is less than 50% of the total purchase price of all the items in the package. However, the cost of the taxable items in the package is more than $100.00. In this situation, the sale of the gift package is not taxable, but the store owes use tax on their cost of all taxable items included in the gift package.

References
M. S. 297A.61, Subd. 3(d), Definitions
M. S. 297A.61, Subd. 31, Prepared food
M. S. 297A.61, Subd. 32, Soft drinks
M. S. 297A.61, Subd. 33, Candy
M. S. 297A.61, Subd. 34, Food sold through vending machines
M. S. 297A.61, Subd. 38, Bundled transaction
M. S. 297A.63, Subd. 1(d), Use of tangible personal property or taxable services
M. S. 297A.67, Subd. 2, Food and food ingredients
M. S. 297A.67, Subd. 32, Cigarettes
MN Rule 8130.4700, Prepared Food, Candy, and Soft Drinks
MN Rule 8130.4705, Food Sold with Eating Utensils

Fact sheets that may be of interest:
Candy, #102B
Soft Drinks and Other Beverages, #102C
Prepared Food, #102D
Dietary Supplements, #102E
Food Stamps, #115
Local Sales and Use Taxes, #164
Restaurants and Bars, #137
Vending Machines and Other Coin-Operated Devices, #158