



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

November 5, 2013

Is prepared food more than 75% of your total food sales? Important tax information below –

The types of retailers included in the table below usually make more than 75 percent of their food sales in prepared food. If your prepared food sales are greater than 75 percent of your total food sales, then you are required to collect sales tax on all of your food sales, with the exception of sales of packages containing four or more servings. (See discussion below.)

Prepared food includes heated foods, combined foods (two or more ingredients), or foods sold with utensils provided by the seller.

Businesses that usually exceed the prepared food sales threshold		
Cafés	Fast food restaurants	Popcorn/kettle corn vendors
Caterers	Fast food court	Restaurants
Coffee Shops	Hot dog stands	Sandwich shops
Delicatessens	Ice cream shops	Sports/entertainment arena sellers
Diners	Juice bars	Sushi bars
Donut shops	Mobile food sellers	Taverns, grills, bars
Espresso stands	Pizzerias	

If you do not collect sales tax on all of your food sales, you must prove that your prepared food sales are below the 75 percent threshold or you will be liable for any uncollected sales tax on your total food sales.

Continued

Exception for four or more servings

Food or food ingredients packaged for sale as a single item containing four servings or more (e.g., ground coffee, whole cakes, loaves of bread) and sold for a single price are not subject to sales tax, even if the business exceeds the threshold.

However, if the seller's customary practice is to physically hand or otherwise deliver a utensil to the customer as part of these sales transactions, then sales tax will apply. The number of servings in a package of food or food ingredients is determined by the manufacturer's label. If no label is available, you must reasonably determine the number of servings.

Calculating for multiple locations

If you have multiple locations, you may calculate a separate percentage of prepared food sales for each location or one overall percentage of sales figures from all locations in the state. You can use the prior fiscal year or calendar year's sales figures. Once you choose a method of calculation, you must continue to use that method for future calculations unless written consent is received from the Department to change methods.

Additional Information

More information is available on our website at dor.wa.gov/food, including:

- Prepared food calculator
- Restaurant & retailers of prepared food guide
- WAC 458-20-244, Food and food ingredients