

Sales and Use Tax Notices

Repeal of Snack Food Tax

In 1992, the Maryland General Assembly enacted legislation which imposed the sales and use tax on sales of certain snack food items even if sold by a grocery or market business. The 1996 Session of the General Assembly repealed this provision with an effective date of July 1, 1997. The result is that these taxable snacks sold at grocery or market businesses and through vending machines are now exempt.

Q. What snack food items are affected?

A. The specific items on which the tax was imposed in 1992, and on which it has now been repealed, are: potato chips and sticks, corn chips, pretzels, cheese puffs and curls, pork rinds, extruded pretzels and chips, popped popcorn, nuts and edible seeds and mixtures which contain any of these items.

Q. How can a business decide if this change affects them?

A. As a rule of thumb, if you had to charge tax on food items sold at your business before July 1, 1997, then you must continue to charge sales tax on all food items sold, including snack food items. If your business was exempt from charging sales tax on food items (milk, orange juice, etc.) before July 1, 1997, your sales of food items continue to be exempt, including the sale of snack food items.

Q. How do I determine if my business should charge the sales tax on these snack food items?

A. The tax normally applies to all sales of food except for sales of food by a substantial grocery or market business for consumption off the premises. A business is a substantial grocery or market business if at least 10 percent of all sales of food made by that business are grocery or market items.

Q. What constitutes a grocery or market item?

A. When calculating if your business meets the 10 percent threshold, you may not include sales of single servings, heated or prepared food or sales to be consumed on the premises. In addition, food items that might normally be consumed on the premises of a restaurant, but which are packaged to carry out, are not considered grocery or market food items for the purposes of calculating the 10 percent threshold.

Q. How are snack bars and canteens affected by the snack tax repeal?

A. Generally, they are not affected because they do not have a substantial grocery or market business. They should, therefore, continue to collect the sales tax on their food sales, including snack foods.

Q. What if I need additional information?

A. Business Tax Tip #5 provides a more complete discussion of the taxability of food sales. If you still have questions, you may call Taxpayer Service at 410-260-7980 or 1-800-638-2937 from elsewhere in Maryland. Business Tax Tip #5 is available and on the Comptroller's website

For additional information:

Comptroller of the Treasury
Revenue Administration Division
110 Carroll Street
Annapolis, Maryland 21411

call Taxpayer Service at 410-260-7980 or 1-800-638-2937 (from elsewhere in Maryland) from 8:00 a.m. to 5:00 p.m. eastern time. E-Mail: taxhelp@cmp.state.md.us

For the deaf or hard-of-hearing:

TTY users call via Maryland Relay at 711.

If you need a reasonable accommodation for a disability, please contact us before you visit.

If you need the information in this brochure in an alternate format, contact: Office of Communications 410-260-7995 (voice); 410-260-7157 (TTY)