

WHICH STATES TAX THE SALE OF FOOD FOR HOME CONSUMPTION IN 2005?

Forty-five states and the District of Columbia levy general sales taxes. Most of those states have in some way eliminated, reduced, or offset the tax as applied to food for home consumption. The relief strategies include full or partial exemptions from the sales tax for food purchased for home consumption and credits or rebates to offset the food tax. Of the states with sales taxes:

- C Twenty-nine states and the District of Columbia exempt most food purchased for consumption at home from the state sales tax. Louisiana and New Mexico are the states that most recently eliminated their sales tax on food.
- C Four states tax groceries at lower rates than other goods; they are Illinois, Missouri, Tennessee and Virginia.
- C Five states — Idaho, Kansas, Oklahoma, South Dakota, and Wyoming — tax groceries fully but offer credits or rebates to offset some of the taxes paid on food by some portions of the population. These credits or rebates usually are set at a flat amount per family member. The amounts vary, but typically are insufficient to give eligible households full relief from sales taxes paid on food purchases.
- C Seven states continue to apply their sales tax fully to food purchased for home consumption without providing any offsetting relief for low- and moderate-income families. They are Alabama, Arkansas, Hawaii, Mississippi, South Carolina, Utah, and West Virginia.¹

Local governments, which in many states levy their own sales taxes, usually follow state policy on the food exemption. Major exceptions include localities in Arizona, Colorado, Georgia, Louisiana and North Carolina. Grocery food purchases in those states are fully or partially exempt at the state level, but typically taxed at the local level.

For more details on food tax exemptions and credits, see Nicholas Johnson and Iris J. Lav, *Should States Tax Food? Examining the Policy Issues and Options*, Center on Budget and Policy Priorities, May 1998.

¹ Hawaii formerly offered a food tax credit; it was repealed effective tax year 1999 and replaced with a slightly larger tax credit targeted to low-income families that is no longer explicitly labeled a food tax credit.