

September 17, 2001

WHICH STATES TAX THE SALE OF FOOD FOR HOME CONSUMPTION IN 2001?¹

by Nicholas Johnson

Forty-five states and the District of Columbia levy general sales taxes. A majority 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:

- Twenty-seven states and the District of Columbia exempt most food purchased for consumption at home from the state sales tax.
- Three states tax groceries at lower rates than other goods; they are Illinois, Missouri, and Virginia.
- 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. As structured, these credits typically give eligible households only partial relief from sales taxes paid on food purchases.
- Ten 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, Louisiana, Mississippi, New Mexico, South Carolina, Tennessee, Utah, and West Virginia.² Most recently, effective July 1, 2001 South Carolina increased its sales tax on food from a temporarily reduced rate of 4 percent to 5 percent, the same rate as applies to other goods.

Local governments, which in many states levy their own sales taxes, usually follow state policy on the food exemption. The major exceptions are localities in Arizona, Colorado, Georgia and North Carolina. While those four states are among the 27 states that exempt food at the state level, many or all cities and counties in those states tax grocery food purchases.

¹ 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*, <http://www.cbpp.org/stfdtax98.pdf> Center on Budget and Policy Priorities, May 1998.

² Hawaii formerly offered a food tax credit; it was repealed effective tax year 1999 and replaced with a slightly larger tax credit targeted to low-income families that is no longer explicitly labeled a food tax credit. New Mexico offers a Low-Income Comprehensive Tax Rebate that is intended to offset a range of taxes on low-income families including the sales tax on food.