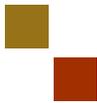


Washington State  
Tax Guide

# RETAILERS OF PREPARED FOOD





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# Taxpayer Rights and Responsibilities

## The Taxpayers of the State of Washington have the Right to:

- Simple and prompt administrative process for tax refunds and credits.
- Timely, fair and equitable treatment with dignity and respect.
- Accurate written information on reporting instructions, appeal procedures, refund claims and reasons for assessment.
- Public hearings on proposed rules.
- Review and appeal of assessments, business registration revocation and adverse rulings.
- Remedies when statutes and rules are found to be unconstitutional.
- Confidentiality of financial and business information.

## The Taxpayers of the State of Washington have the Responsibility to:

- Register with the Department of Revenue.
- Know their tax reporting obligations and seek instructions when they are uncertain.
- Keep accurate and complete business records.
- File returns and pay taxes in a timely manner.
- Ensure the accuracy of the information entered on their tax returns.
- Substantiate claims for refund.
- Notify the Department of Revenue and pay taxes promptly when closing a business.



# Tax Information for Retailers of Prepared Food

This information explains a change in the taxability of food items when sold by businesses that make eating utensils available to customers. A business must now collect retail sales tax on most food item sales if its sales of “prepared foods” make up more than 75 percent of its annual sales of food and food ingredients. Previously, a business could elect to segregate its food sales and collect retail sales tax only on sales of taxable food.

Affected businesses should conform to this change as soon as possible and not later than January 1, 2008.

**If you have in the past collected sales tax on all of your food sales, continue to do so. If this is the case, you do not need to read the discussion below.** Additionally, sellers may elect to collect sales tax on all sales, whether or not sales of prepared foods make up more than 75 percent of the seller’s annual sales of food and food ingredients.

Sales of “prepared food” are subject to sales tax. “Prepared food” is defined in detail in amended WAC 458–20–244 (Rule 244) but generally means heated foods, combined foods, or foods sold with utensils that are “provided by the seller.” In general, food is sold with utensils “provided by the seller” if:

- A utensil is physically given or handed to the buyer as part of the seller’s customary practice for the food item.
- A utensil (a plate, glass, cup, or bowl only) is necessary to receive the food.
- A utensil is made available by the seller and the seller’s percentage of prepared foods sales is greater than 75 percent.

## Determining Percentage of Prepared Food Sales

Sellers of prepared food that make utensils available must calculate their percentage of prepared food sales.

### Formula

Percentage of prepared food equals  $n/d$

**Numerator (n)** represents prepared food

**Denominator (d)** represents all food sales

### Numerator

The *numerator* includes sales of the following prepared foods:

1. Food sold in a heated state or heated by the seller, except bakery items.
2. Foods where the seller has combined two or more ingredients, except:
  - bakery items
  - food that is only cut, repackaged, or pasteurized by the seller
  - food that contains eggs, fish, meat, or poultry in a raw or undercooked state requiring cooking to prevent food-borne illness
  - food sold in an unheated state at a price that varies based on weight or volume
3. Food items where a plate, bowl, glass or cup is necessary to receive the food.

### Denominator

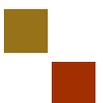
The *denominator* includes all sales of food and food ingredients (including prepared foods), soft drinks, and dietary supplements.

$$\frac{n}{d} = \text{percentage of prepared food}$$

See examples:

#### Notes:

1. *If the seller of prepared food wants to segregate their food sales and not charge sales tax on food and food ingredients, they must make this calculation annually.*
2. *Food items that are four or more servings are exempt from sales tax even if the retailer sells more than 75 percent prepared food. (Unless the seller provides utensils.)*
3. *Nonfood items (i.e. tobacco, alcohol, medicines, hygiene items, block ice, dry ice, ice in bags of greater than 10 lbs.) are not included in the calculation.*
4. *For a definition of food and food ingredients please refer to WAC 458–20–244.*



# How to Calculate Prepared Food Sales Percentages

## Example 1

Tiny Town Theater operates a concession stand at their theater. The concession stand has utensils on the counter for the customers to use (i.e. napkins, lids, plastic ware, straws, etc.).

In 2007, Tiny Town Theater made the following sales:

Hot dogs.....	\$25,000
Popcorn .....	\$30,000
Fountain drinks .....	\$30,000
Candy bars .....	\$5,000
Other candy.....	\$10,000
Nachos .....	\$15,000
Bottled water .....	\$2,000
Bottled juice (more than 50 percent juice) ...	\$2,000
Sealed soft drinks (pop) .....	\$5,000
Sealed beverages containing milk (i.e. cold coffee drinks).....	\$1,000
Coffee.....	\$2,500
Potato chips .....	\$2,000
Milk .....	\$1,000
Fruit .....	\$1,000
Cheese cake (single servings on a plate, made by a local bakery, not the theater) .....	\$500

Mr. Jones, the bookkeeper, is preparing the annual calculation to determine whether sales of prepared foods make up more than 75 percent of the theater's annual sales of food and food ingredients. Here is his calculation:

### Step 1

#### Calculate the Numerator

**Numerator:** The numerator includes the following items (items are to be counted only once in the numerator, even if they qualify under more than one classification):

##### 1. All foods sold in a heated state:

Hot dogs.....	\$25,000
Popcorn .....	\$30,000
Nachos .....	\$15,000
Coffee.....	\$2,500

##### 2. Combined foods (all foods where the seller combines two or more ingredients)

Fountain drinks (combined syrup and water).....	\$30,000
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##### 3. Foods sold where a utensil is necessary to receive the food.

Cheese cake (served on a plate) .....	\$500
Fountain drinks (cup required to receive drink, except counted in #2 above)	

The total amount for the **numerator** is \$103,000 (\$72,500 heated food, + \$30,000 combined foods, + \$500 utensil necessary)

### Step 2

#### Calculate the Denominator

**Denominator:** The denominator includes food, food ingredients, prepared food, soft drinks, and dietary supplements. (Items are to be counted only once in the denominator, even if they qualify under more than one classification):

##### 1. Food includes:

Hot dogs.....	\$25,000
Popcorn .....	\$30,000
Candy bars .....	\$5,000
Other candy.....	\$10,000
Nachos .....	\$15,000
Bottled water .....	\$2,000
Bottled juice (more than 50% juice) .....	\$2,000
Sealed beverages containing milk .....	\$1,000
Coffee.....	\$2,500
Potato chips .....	\$2,000
Milk .....	\$1,000
Fruit .....	\$1,000
Cheese cake (served on a plate) .....	\$500

##### 2. Food ingredients:

The theater does not separately sell any items that are classified as food ingredients.

##### 3. Soft drinks include:

Fountain drinks .....	\$30,000
Sealed soft drinks .....	\$5,000

##### 4. Dietary supplements:

The theater does not sell any items that are classified as dietary supplements.

The total for the **denominator** would be \$132,000 (\$97,000 food items, + \$35,000 soft drinks).

### Step 3

## Calculate the Percentage

1. The percentage of prepared food sales is determined by dividing the *numerator (n)* by the *denominator (d)*. In this example the calculation would be:

$$\frac{n}{d} = \text{percentage} \quad \frac{\$103,000}{\$132,000} = .780 \text{ or } 78.0\%$$

### Step 4

## Determination

Tiny Town Theater's percentage of prepared food sales in 2007 was greater than 75 percent. Therefore, they are classified as predominately selling prepared food. During 2008 the Tiny Town Theater is required to collect retail sales tax on all sales of food items. This includes items that were not previously subject to retail sales tax:

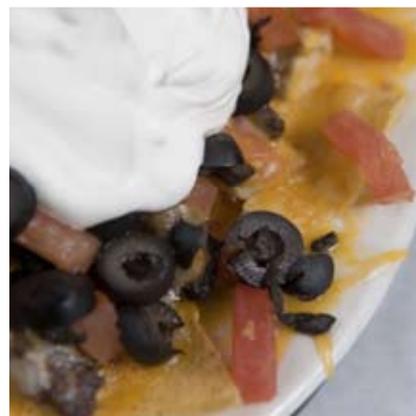
Candy bars, other candy, bottled water, bottled juice, sealed beverages containing milk, potato chips, milk, and fruit.

After 2008, Tiny Town Theater is required to recalculate their percentage of prepared food sales annually. If the sales remain above 75 percent, they are required to continue to collect retail sales tax on all food items. If their prepared food sales drop below 75 percent then they may segregate their sales and only collect retail sales tax on those items which do not qualify for the food and food ingredients exemption. In this example, the following items would remain subject to retail sales tax:

Hot dogs, popcorn, fountain drinks, nachos, sealed soft drinks, coffee and cheese cake.

However, the following items would be exempt from retail sales tax, if the sales are properly segregated:

Candy bars, other candy, bottled water, bottled juice, sealed beverages containing milk, bags of potato chips, milk, and fruit.



# How to Calculate Prepared Food Sales Percentages

## Example 2

Jan and Joe's deli is a quick food and deli café. The deli has utensils on the counter for the customers to use (i.e. napkins, cup, lids, etc.) The deli sells the following combination meals:

### Combo meal #1

Deli Sandwich, potato salad, fountain soft drink, bag of chips

### Combo meal #2

Deli Sandwich, cup of soup, fountain soft drink

### Combo meal #3

Deli Sandwich, cup of milk, bag of chips

### Combo meal #4

Potato salad, bottled water, bag of chips, piece of fruit and two cookies

During 2007 the deli made the following sales:

Deli sandwiches (made on site) .....	\$25,000
Sliced deli meats (only sliced and repackaged).....	\$10,000
Sliced cheeses (only sliced and repackaged).....	\$5,000
Meat and cheese platters (only sliced and repackaged).....	\$7,500
Potato Salad (made on site, sold by volume) .....	\$3,000
Hot soup .....	\$5,000
2% milk (served in a cup) .....	\$2,000
Fountain drinks .....	\$15,000
Candy.....	\$10,000
Bottled water .....	\$3,000
Bottled juice (more than 50 percent juice) ...	\$4,500
Sealed soft drinks (cans and bottles).....	\$6,000
Sealed beverages containing milk (i.e. cold coffee drinks).....	\$2,500
Coffee.....	\$10,000
Potato chips .....	\$2,500
Sealed milk .....	\$2,000
Fruit .....	\$3,500
Cheese cake (served on a plate) .....	\$1,000
Cookies (made by the deli, wrapped in cellophane) .....	\$2,500
Whole cakes.....	\$1,000
Bottled beer .....	\$1,500
Dietary supplements (sealed) .....	\$2,500
Combo meal #1 .....	\$12,000
Combo meal #2.....	\$11,000

Combo meal #3.....\$10,000

Combo meal #4.....\$7,000

Mrs. Smith, the bookkeeper is preparing their annual calculation to evaluate whether the deli predominately sells prepared food. In making this evaluation, she must determine whether more than 75 percent of the deli's sales are considered prepared foods. Her calculation follows:

## Step 1

### Calculate the Numerator

**Numerator:** The numerator includes the following items (items are to be counted only once in the numerator, even if they qualify under more than one classification):

#### 1. All foods sold in a heated state:

Hot soup .....

Coffee.....

#### 2. Combined Foods (all foods where the seller combines two or more ingredients)

Deli sandwiches .....

Fountain drinks .....

Combo meal #1 .....

Combo meal #2.....

Combo meal #3.....

Combo meal #4.....

#### Notes:

1. Although the potato salad is made by the deli, it is not considered a combined food because it is sold by volume or weight. Therefore, it is excluded from this calculation.
  2. Even though combo meal #4 contains only exempt items, when the items are combined into a single meal, the meal is considered combined food and included in the calculation.
  3. Even though the cookies are made by the deli, because they are a bakery item and no utensil is required to receive this item, it is excluded from this calculation.
  4. Even though the Meat and Cheese platters are a combination food item, these platters are not included in this calculation as a combined item because the deli is only cutting and repackaging the meat and cheeses.
3. Foods sold where a utensil is necessary to receive the food.
- Cheese cake (plate and fork required) .....
- 2% milk (cup required) .....

**Notes:**

Although the hot soup could be counted as either a **“heated item”** or **“food with necessary utensil”**, it is only counted in one classification.

The total amount for the **numerator** is \$98,000 (\$15,000 heated food, + \$80,000 combined foods, + \$3,000 utensil necessary).

## Step 2 Calculate the Denominator

**Denominator:** The denominator includes food, food ingredients, prepared food, soft drinks, and dietary supplements.

### 1. Food would include:

Deli sandwiches .....	\$25,000
Sliced deli meats .....	\$10,000
Sliced cheeses .....	\$5,000
Meat and cheese platters .....	\$7,500
Potato salad.....	\$3,000
Hot soup .....	\$5,000
2percent milk .....	\$2,000
Candy.....	\$10,000
Bottled water .....	\$3,000
Bottled juice (more than 50 percent juice) ...	\$4,500
Sealed beverages containing milk .....	\$2,500
Coffee.....	\$10,000
Potato chips .....	\$2,500
Sealed milk .....	\$2,000
Fruit .....	\$3,500
Cheese cake .....	\$1,000
Cookies .....	\$2,500
Whole cakes.....	\$1,000
Combo meal #1 .....	\$12,000
Combo meal #2 .....	\$11,000
Combo meal #3.....	\$10,000
Combo meal #4 .....	\$7,000

### 2. Food Ingredients:

The deli does not separately sell any items that are classified as food ingredients.

### 3. Soft drinks would include:

Fountain drinks .....	\$15,000
Sealed soft drinks .....	\$6,000

### 4. Dietary supplements:

Dietary supplements .....	\$2,500
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**Note:**

Although the deli sold \$1,500 of bottled beer, alcoholic beverages are excluded from the definition of food and are not included in the calculation.

The total for the **denominator** is \$163,500 (\$140,000 food items, + \$21,000 soft drinks +\$2,500 dietary supplements).

## Step 3 Calculate the Percentage

The percentage of prepared food sales is determined by dividing the **numerator (n)** by the **denominator (d)**.

In this example the calculation would be:

$$\frac{n}{d} = \text{percentage} \quad \frac{\$98,000}{\$163,500} = .599 \text{ or } 59.9\%$$

## Step 4 Determination

The deli’s percentage of prepared food sales in 2007 was less than 75 percent. Therefore, they are not classified as predominately selling prepared food. During 2008, the deli may segregate its sales and is not required to collect retail sales tax on **food and food ingredients**. In this example the following items would be exempt from retail sales tax:

Deli meats, sliced cheese, meat and cheese platters, potato salad, candy, bottled water, bottled juice, sealed beverages containing milk, potato chips, sealed milk, fruit, cookies and whole cakes.

**Note:**

Sales of whole cakes remain exempt from retail sales tax as long as the deli does not provide utensils to customers who purchase cakes and the cake is four or more servings.

After 2008, they are required to recalculate their percentage of prepared food sales. If the percentage of prepared food sales remains below 75 percent, then they may continue to segregate their sales and not charge retail sales tax on food and food ingredients.

If their percentage of prepared food sales goes above 75 percent in 2008; the deli would be required to collect retail sales tax on all food items, except those items that constitute four or more servings (i.e. whole cakes, deli meat, sliced cheese, meat and cheese platters) as long as the deli does not provide the customer with a utensil when selling these items.

# How to Calculate Prepared Food Sales Percentages

## Example 3

Mega Burgers Inc. is a large fast food corporation with six locations in the state of Washington. They also have several locations outside of Washington. Previously, Mega Burgers had segregated their sales and did not charge retail sales tax on exempt food items (food and food ingredients) as previously allowed under the rule (WAC 458–20–244). Mega Burgers has utensils (i.e. napkins, lids, plastic ware, straws, etc.) on the counters for customer use. Mega Burgers decides they would like to see if they can continue to segregate their sales and not have to charge sales tax on all items.

In 2007, Mega Burgers Inc made the following sales: (Even though Mega Burgers has six locations in Washington, because they are a single entity they must combine all sales for all Washington locations when making this calculation. They do not have to include locations outside of Washington)

Hamburgers/cheeseburgers .....	\$835,000
Fish burgers .....	\$450,000
French fries .....	\$325,000
Onion rings .....	\$275,000
Milk shakes.....	\$650,000
Fountain drinks (soda pop).....	\$1,000,000
Bottled water .....	\$30,000
Bottled juice (more than 50percent juice) ....	\$10,000
Coffee.....	\$92,500
Sealed milk .....	\$25,000
Fruit (apples/oranges) .....	\$11,000
Cookies .....	\$115,000
Combo meal #1 (cheese burger, French fries, soft drinks) .....	\$535,000
Combo meal #2 (fish burger, onion rings, milk shake) .....	\$175,000

Mr. Smith, their CPA, is preparing their annual calculation to evaluate whether Mega Burgers predominately sells prepared foods. In making this evaluation, he must determine whether 75 percent or more of their sales are considered prepared foods. His calculation follows:

### Step 1 Calculate the Numerator

**Numerator:** The numerator includes the following items: (Items are to be counted only once in the numerator, even if they qualify under more than one classification.)

#### 1. All foods sold in a heated state:

Hamburgers/cheeseburgers .....	\$835,000
Fish burgers .....	\$450,000
French fries.....	\$325,000
Onion rings .....	\$275,000
Coffee.....	\$92,500

#### 2. Combined Foods (all foods where the seller combines two or more ingredients)

Combo meal #1 .....	\$535,000
Combo meal #2.....	\$175,000
Fountain drinks (combined syrup and water) .....	\$1,000,000
Milkshakes (combined mix and syrup).....	\$650,000

**Note:**

*Although the cookies are made with two or more ingredients, they are exempt from this calculation, because they are classified as a bakery item.*

#### 3. Foods sold where a utensil is necessary to receive the food.

Milkshakes (cup required to receive drink, except counted in #2 above)
Fountain drinks (cup required to receive drink, except counted in #2 above)

The total amount for the **numerator** is \$4,337,500 (\$1,977,500 heated food, + \$2,360,000 combined foods, + \$0 utensil necessary)

### Step 2 Calculate the Denominator

**Denominator:** The denominator includes food, food ingredients, prepared food, soft drinks, and dietary supplements. (Items are to be counted only once in the denominator, even if they qualify under more than one classification):

#### 1. Food includes:

Hamburgers/cheeseburgers .....	\$835,000
Fish burgers .....	\$450,000
French fries.....	\$325,000
Onion rings .....	\$275,000
Milkshakes.....	\$650,000
Bottled water .....	\$30,000
Bottled juice .....	\$10,000
Coffee.....	\$92,500
Sealed milk .....	\$25,000

Fruit .....	\$11,000
Cookies .....	\$115,000
Combo meal #1 .....	\$535,000
Combo meal#2.....	\$175,000

**2. Food ingredients:**

Mega Burgers does not separately sell any items that are classified as food ingredients.

**3. Soft drinks include:**

Fountain drinks .....	\$1,000,000
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**4. Dietary supplements:**

Mega Burgers does not sell any items that are classified as dietary supplements.

The total for the *denominator* would be \$4,528,500 (\$3,528,500 food items, + \$1,000,000 soft drinks).

**Step 3  
Calculate the Percentage**

The percentage of prepared food sales is determined by dividing the *numerator (n)* by the *denominator (d)*. In this example the calculation would be:

$$\frac{n}{d} = \text{percentage} \quad \frac{\$4,337,500}{\$4,528,500} = .958 \text{ or } 95.8\%$$

**Step 4  
Determination**

Mega Burgers' percentage of prepared food sales in 2007 was greater than 75 percent. Therefore, they are classified as predominately selling prepared food. During 2008, Mega Burgers is required to collect retail sales tax on **all sales of food items**. This includes items that were not previously subject to retail sales tax:

- Bottled water, bottled juice, sealed milk, fruit and cookies.

After 2008, if Mega Burgers wants to be able to segregate their food sales and not charge sales tax on those items classified as food and food ingredients, they must recalculate their prepared food sales based on 2008 sales figures. In the alternative, if Mega Burgers determines that it is not worth their time and effort to conduct this calculation, they may simply continue to charge retail sales tax on all food items.



# How to Calculate Prepared Food Sales Percentages

## Example 4

Giant Food Store, Inc. is a large grocery store. In addition Giant Food Store also has a deli and bakery and a “you–make–it” salad bar onsite. The deli has utensils (i.e. napkins, lids, plastic ware, straws, etc.) on their counters for customer use. Previously, Giant Food Store had segregated their sales and not charged retail sales tax on exempt food items. Deli items could be purchased at the Deli counter or paid for at the checkout stand. Bakery items and other food items can only be paid for at the checkout stand. Giant Food Store decides they would like to see if they can continue to segregate their sales and not have to charge sales tax on all food items.

In 2007, Giant Food Store, Inc. made the following sales. Since Giant Food Store has a deli on their site (same entity) they must include the sales of the grocery store and the sales of the deli when making this calculation.

### Deli Sales:

Hamburgers/cheeseburgers .....	\$100,000
Deli sandwiches .....	\$300,000
Hot wings.....	\$200,000
Chicken strips.....	\$100,000
Potato salad (sold in containers by weight)...	\$75,000
Jo Jo’s.....	\$55,000
Burritos .....	\$75,000
Fruit salad (sold in containers by weight) .....	\$45,000
4-Bean salad (sold in containers by weight) ..	\$20,000
French fries.....	\$35,000
Onion rings .....	\$15,000
Fountain drinks (soda pop).....	\$300,000
Bottled water .....	\$10,000
Bottled juice (more than 50 percent juice) ...	\$10,000
Coffee.....	\$92,500
Sealed milk .....	\$12,000
Hot apple pie (by the slice, served on a plate) .....	\$15,000
Chocolate cake (by the slice) .....	\$20,000
Meat (sliced and repackaged by the deli) .....	\$30,000
Cheese (sliced and repackaged by the deli) .....	\$25,000
Meat and cheese platter.....	\$50,000
Combo meal #1 (cheese burger, French fries, soft drinks) .....	\$135,000
Combo meal #2 (chicken strips, Jo Jo’s, soft drink).....	\$75,000

### Bakery Items Sales:

Donuts .....	\$75,000
Box of donuts (12).....	\$40,000
Whole pies.....	\$75,000
Whole cakes.....	\$80,000
Bagels .....	\$50,000

### Grocery Store Sales:

Spices (food ingredient) .....	\$30,000
Exempt food items.....	\$3,285,300
Alcoholic beverages (beer and wine).....	\$350,000
Sealed soft drinks (soda pop) .....	\$400,000
Tobacco .....	\$175,000
Cough drops.....	\$25,000
Gum and candy .....	\$300,000
Ice (cubed).....	\$30,000
Ice (block).....	\$15,000
Dietary supplements .....	\$45,000
Salad bar sales .....	\$135,000

(Store does not combine any of the food items. The customer makes his own salad in a styrofoam to-go container.)

Ms. Wilson, their CPA, is preparing their annual calculation to evaluate whether Giant Food Stores Inc. predominately sells prepared foods. In making this evaluation, she must determine whether 75 percent or more of their sales are considered prepared foods. Her calculation follows:

## Step 1 Calculate the Numerator

**Numerator:** The numerator includes the following items (items are to be counted only once in the numerator, even if they could qualify under more than one classification):

### 1. All foods sold in a heated state:

Hamburgers/cheeseburgers .....	\$100,000
Hot wings.....	\$200,000
Chicken strips.....	\$100,000
Jo Jo’s .....	\$55,000
Burritos .....	\$75,000
French fries.....	\$35,000
Onion rings .....	\$15,000
Coffee.....	\$92,500

### Note:

*Although the apple pie is served heated, it is not included in this portion of the calculation because it is a bakery item.*

**2. Combined foods (all foods where the seller combines two or more ingredients)**

Deli sandwiches .....	\$300,000
Fountain drinks (soda pop) .....	\$300,000
Combo meal #1 (cheese burger, French fries, soft drinks) .....	\$135,000
Combo meal #2 (chicken strips, Jo Jo's, soft drink).....	\$75,000

**Notes:**

1. Although the salads (potato, 4-bean, and fruit) are made with two or more ingredients, they are exempt from this calculation, because they are sold by volume or weight.
2. Although the cakes, pies, bagels and donuts are made with two or more ingredients, they are exempt from this calculation because they are considered bakery items.

**3. Foods sold where a utensil is necessary to receive the food.**

Hot apple pie (by the slice) .....	\$15,000
Cake by the slice .....	\$20,000
Salad bar sales .....	\$135,000

**Notes:**

1. The salad bar sales are included in this calculation, even though the store does not combine the ingredients. The styrofoam container is considered a necessary utensil to receive the food.
2. Even though the hot apple pie and cake by the slice are both bakery items, they are included because they are served with a utensil (plate).

The total amount for the **numerator** is \$1,652,500 (\$672,500 heated food, + \$810,000 combined foods + \$170,000 utensil necessary).

## Step 2 Calculate the Denominator

**Denominator:** The denominator includes food, food ingredients, prepared food, soft drinks, and dietary supplements. (Items are to be counted only once in the denominator, even if they qualify under more than one classification.)

**1. Food includes:**

Hamburgers/cheeseburgers .....	\$100,000
Deli sandwiches .....	\$300,000
Hot wings.....	\$200,000
Chicken strips .....	\$100,000
Potato salad .....	\$75,000
Jo Jo's.....	\$55,000

Burritos .....	\$75,000
Fruit salad.....	\$45,000
4-Bean salad .....	\$20,000
French fries.....	\$35,000
Onion rings .....	\$15,000
Bottled water .....	\$10,000
Bottled juice (more than 50 percent juice) ...	\$10,000
Coffee.....	\$92,500
Sealed milk .....	\$12,000
Hot apple pie (by the slice) .....	\$15,000
Chocolate cake (by the slice).....	\$20,000
Meat (sliced and repackaged by the deli).....	\$30,000
Cheese (sliced and repackaged by the deli) .....	\$25,000
Meat and cheese platter.....	\$50,000
Combo meal #1 (cheeseburger, French fries, soft drinks) .....	\$135,000
Combo meal #2 (chicken strips, Jo Jo's, soft drink).....	\$75,000
Donuts .....	\$75,000
Box of donuts (12).....	\$40,000
Whole pies.....	\$75,000
Whole cakes.....	\$80,000
Bagels .....	\$50,000
Exempt food items.....	\$3,285,300
Gum and candy .....	\$300,000
Ice (cubed).....	\$30,000
Salad bar sales .....	\$135,000

**2. Food ingredients:**

Spices.....	\$30,000
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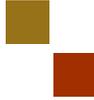
**3. Soft drinks include:**

Fountain drinks .....	\$300,000
Sealed soft drinks .....	\$400,000

**4. Dietary supplements:**

Dietary supplements .....	\$45,000
---------------------------	----------

The total for the **denominator** would be \$6,339,800 (\$5,564,800 food items, + \$30,000 food ingredients, + \$700,000 soft drinks + \$45,000 dietary supplements)



**Notes:**

Although the store made the following sales, these sales are not part of the calculation:

1. Beer and wine – \$350,000 (Alcoholic beverages are not considered food items and therefore are not part of the calculation.)
2. Tobacco – \$175,000 (Tobacco products are not considered food items and therefore are not considered part of the calculation.)
3. Cough drops – \$25,000 (Medicines and hygiene products are not considered food items and therefore are not part of the calculation.)
4. Ice (block) – \$15,000 (Block and dry ice are not considered food items and therefore are not part of the calculation.)

### Step 3 Calculate the Percentage

The percentage of prepared food sales is determined by dividing the **numerator (n)** by the **denominator (d)**. In this example the calculation would be:

$$\frac{n}{d} = \text{percentage} \quad \frac{\$1,652,500}{\$6,339,800} = .261 \text{ or } 26.1\text{percent}$$

### Step 4 Determination

Giant Food Store’s percentage of prepared food sales in 2007 was less than 75 percent. Therefore, they are not classified as predominately selling prepared food. During 2008, the store may segregate its sales and is not required to collect retail sales tax on exempt food items (food and food ingredients).

Even though Giant Food Stores is not required to collect sales tax on all food items, the following items would remain subject to retail sales tax:

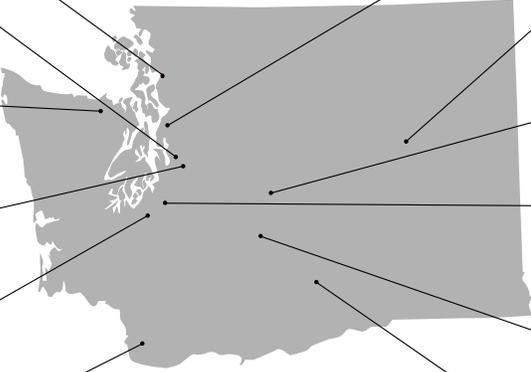
Hamburgers/cheeseburgers, deli sandwiches, hot wings, chicken strips, jo jo’s, burritos, French fries, onion rings, fountain drinks, coffee, hot apple pie (served on a plate), chocolate cake (served on a plate), combo meal #1, combo meal #2, salad bar sales, alcoholic beverages, sealed soft drinks, tobacco products, juice containing less than 50percent juice, cough drops (all medicines except prescribed), ice in blocks, dietary supplements.



## For More Information

If you have general questions you can call our Telephone Information Center at 1-800-647-7706 or our visit web site at <http://dor.wa.gov>.

## Local Office Locations



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