



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JULY 2, 2010

Originally published April 16, 2004 - Updated December 14, 2010

Taxability of Soft Drinks

Washington adopted food definitions based on the national Streamlined Sales and Use Tax Agreement. Food and food ingredients” are exempt from retail sales tax unless they fall within the definition of “soft drinks,” “dietary supplements,” or “prepared foods.” This notice discusses the definition of “soft drinks”. “Dietary supplements” and “prepared foods” are discussed in separate notices.

Soft Drinks are Subject to Retail Sales Tax

“**Soft drinks**” are nonalcoholic beverages sold in any manner, including in sealed containers, that contain natural or artificial sweeteners. However, beverages that contain any milk, milk products, or milk substitutes or that contain more than 50% vegetable or fruit juice by volume are not defined as “soft drinks” even if they contain sweeteners. Beverages in sealed containers that contain fruit or vegetable juice are required to disclose the percentage of juice by volume on the front of the label or near the “Nutrition Facts” box.

“Soft drinks” do not include frozen, powdered, or concentrated beverages. Soft drinks and any other beverages served with an eating utensil provided by the seller, including hot coffee or juice from a fountain, are prepared food and subject to sales tax. Carbonation is no longer a factor in determining taxability for sales tax purposes.

Taxable:

Soft drinks (sweetened, 50% or less fruit/vegetable juice, no milk or milk substitutes):

- Sports drinks
- Bottled tea/coffee, sweetened, no milk
- Lemonade
- Soda pop
- Tonic water
- Flavored water with sweeteners
- “Juices” with 50% or less fruit juice
- “Energy” drinks

Note: Sales of fountain drinks are taxable because they are “prepared foods” (sold with eating utensils: cups, straws, lids).

Alcoholic Beverages — Alcoholic beverages are specifically excluded from the definition of “food and food ingredients.” Therefore, all beverages containing 0.5% or more alcohol by volume are subject to retail sales tax.

Food Stamp Sales — Eligible foods under the Food Stamp Act of 1977 purchased with food coupons, including otherwise taxable soft drinks, remain exempt from retail sales tax.

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Sales of Ice — Ice sold for human consumption is considered a food or food ingredient and is tax-exempt. “Ice sold for human consumption” means ice sold in cubes, shaved or crushed form and in quantities of ten pounds or less in weight per bag or container. Blocks of ice of any weight are not considered a food or food ingredient and are taxable.

Persons selling food products should refer to Washington Administrative Code (WAC) 458-20-244.

For more information please contact the Department’s Telephone Information Center at 1-800-647-7706.