

Soft Drinks and Other Beverages

Taxable Subcategory of Food—See Fact Sheet 102A

102C

Sales Tax
Fact Sheet

Soft drinks

Soft drinks are taxable. The exemption for food products does not apply to soft drinks. "Soft drinks" means nonalcoholic beverages in liquid form that contain natural or artificial sweeteners. "Sweeteners" includes corn syrup, dextrose, invert sugar, sucrose, fructose, fruit juice concentrates, molasses, evaporated cane juice, rice syrup, barley malt, honey, and artificial sweeteners. Soft drinks do not include beverages that contain milk or milk products; soy, rice, or similar milk substitutes; or greater than 50 percent vegetable or fruit juice by volume.

Product labels should be reviewed to determine if the product falls within the guidelines of a taxable soft drink.

Taxable soft drinks include:

- bottled or canned water that contains sweeteners
- coffee and tea drinks that contain sweeteners
- fruit ades, drinks, or nectars that contain sweeteners and have 50 percent or less fruit juice or no fruit juice percent shown on label
- nonalcoholic beer or near beer, such as O'Doul's and Sharps (contains barley malt, a sweetener)
- Pedialyte
- sports drinks (Gatorade, Powerade, etc.)
- soda pop
- sparkling Catawba juice containing sweeteners and 50 percent or less fruit juice

Examples of nontaxable items:

- apple cider
- beverage powders or concentrates
- bottled or canned water that does *not* contain sweeteners
- coffee or tea beans, grounds, leaves, or powders
- nutritional drinks that contain milk or milk substitutes
- Frappuccino® (contains milk)
- fruit or vegetable juices that contain more than 50 percent juice by volume even if they contain sweeteners
- milk and drinks that contain milk

Bottled water. Unsweetened bottled water sold in any size container is exempt because it is a food product. This includes carbonated or non-carbonated water or flavored

water if no sweetener is added. Delivery charges for non-taxable water are also exempt.

Bottled water is still taxable when sold through a vending machine or when the seller provides eating utensils.

Ice cubes, crushed ice, and ice blocks are not taxable. Dry ice is taxable because it is not intended for human consumption.

Alcoholic beverages

Beer and other alcoholic beverages are taxable. Alcoholic beverages are beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume. Beer, wine and liquor sold at an establishment licensed to sell any type of intoxicating liquor are subject to the general sales tax rate and any applicable local taxes. Vendors are also responsible for remitting the 2.5 percent gross receipts tax on sales of alcoholic beverages. For more information, refer to Fact Sheet 137, Restaurants and Bars.

Near beer, such as O'Doul's and Sharps is a soft drink because it contains a sweetener (barley malt). Near beer products are subject to the general sales and use tax rate and any applicable local taxes.

Note: Any of the beverages listed as exempt become taxable when sold from vending machines or served in glasses, cups or pitchers.

Brand names are shown for illustration purposes only and do not imply sole representation in any category.

References

M. S. 297A.61, Subd. 32, Soft Drinks
MN Rule 8130.4700, Prepared Food, Candy, and Soft Drinks

Fact sheets that may be of interest:

Food and Food Ingredients, #102A
Candy, #102B
Prepared Food, #102D
Dietary Supplements, #102E
Vending Machines and Other Coin-Operated Devices, #158