

Vermont Sales and Use Tax on Soft Drinks

Effective July 1, 2015, the sales of soft drinks are subject to Vermont Sales and Use Tax. The food, food product, and beverages exemption does not apply to soft drinks.

Definition of “Soft Drinks”

Soft drinks are nonalcoholic beverages that contain natural or artificial sweeteners.

Soft drinks are **not**:

- Beverages that contain milk or milk products, soy, rice, or similar milk substitutes
- Beverages that contain greater than 50% of vegetable or fruit juice by volume

More Guidelines

Bottled water

Bottled water (carbonated or non-carbonated, flavored) is exempt from sales tax **only if** sweeteners are not added. Bottled water sold by vending machines or restaurants is subject to Vermont Meals and Rooms Tax.

Nonalcoholic and alcoholic beverages

Nonalcoholic beer is subject to sales tax because it contains sweeteners. Alcoholic beverages as defined in Vermont law are not considered a food, food product, or beverage and therefore are subject to sales tax.

Beverage powders and concentrates

Beverage powders and concentrates are not considered soft drinks and are exempt from sales tax.

Soft drinks purchased through SNAP

Soft drinks purchases paid with assistance through the Supplemental Nutrition Assistance Program (SNAP) or food stamps are exempt from sales tax. In Vermont, this is the 3SquaresVT program.

Please note:

Soft drinks subject to the Vermont Meals and Rooms Tax

Soft drinks sold in vending machines and as part of a taxable meal, such as when bundled with a sandwich and chips, are subject to the Vermont Meals and Rooms Tax, **not** the sales tax.

The best way to determine whether a beverage falls under the definition of a soft drink is to read the product label. We have provided a table to help guide you on page 2.

Vermont Sales and Use Tax: What is it?

Sales Tax

A sales tax of 6% is imposed on the retail sales of tangible personal property (TPP) unless exempted by law. Sales tax is destination-based, meaning the tax is applied based on the location where the buyer takes possession of the item or where it is delivered. Sellers should collect Vermont Sales Tax on TPP delivered to destinations in Vermont at the time and place of the sale.

Businesses are responsible for collecting sales tax from their customers and then filing and remitting the tax to the state. Sales tax is reported using the

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accrual basis, requiring that sales tax is charged at the time of the sale and reported even if full payment for the sale has not been received by the seller.

Use Tax

A 6% use tax is paid by the buyer of an item when the purchase subject to Vermont sales tax is made from a seller that is not registered by the state of Vermont to collect tax. Sales tax and use tax work together to create the same tax result whether a seller collects sales tax or not. Therefore, use tax has the same rate, rules, and exemptions as sales tax.

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Listing of Product Types and Examples

The listing below provides general guidelines to determine whether a beverage is taxable or not taxable under the definition of taxable soft drinks. This list is for your reference only. It does not include all product types and examples subject to Vermont Sales and Use Tax that exist in the marketplace. If you have a question whether or not a beverage is a taxable soft drink, please contact the Vermont Department of Taxes at tax.business@vermont.gov or 802-828-2551, option 3.

If the product label contains	The drink is taxable/not taxable	Examples
<ul style="list-style-type: none"> • Sugar • Agave • Aspartame • Barley malt • Corn syrup • Dextrose • Erythritol • Evaporated cane juice • Fructose • Fruit juice concentrate • Honey • Invert sugar • Maltitol • Maple syrup • Molasses • Rice syrup • Saccharin • Stevia • Sucralose • Sucrose • Other natural or artificial sweeteners 	<p>Taxable</p>	<ul style="list-style-type: none"> • Bottled or canned water that contains sweeteners • Coffee or tea drinks that contain sweeteners • Fruitades, drinks, or nectars with sweeteners that have 50% or less vegetable or fruit juice shown on the label • Nonalcoholic beer or near beer, such as O'Doul's and Sharps • Pedialyte • Energy drinks, such as Red Bull and Monster • Sports drinks, such as Gatorade and Powerade • Soda, such as Coca-Cola and Sprite • Sparkling nonalcoholic cider or grape juice with 50% or less fruit juice
<ul style="list-style-type: none"> • Milk or milk products • Soy, rice, or similar milk substitutes • More than 50% vegetable or fruit juice by volume, even if the juice contains sweeteners • Does not list a sweetener but lists "natural flavor," "essence," or "spice" 	<p>Not taxable</p>	<ul style="list-style-type: none"> • Apple cider • Maple sap water with no added sweeteners • Beverage powders or concentrates, such as Kool-Aid or frozen orange juice concentrate • Liquid water enhancers, such as MiO • Bottled or canned water with no sweeteners • Plain or flavored club soda or seltzer water with no sweeteners • Coffee beans or grounds and tea leaves • Kombucha with no added sweeteners • Nutritional drinks that contain milk or milk substitutes, such as Ensure and Slim-Fast • Dietary supplements, such as 5-Hour Energy • Milk and drinks that contain milk, such as Frappuccino or Yoo-hoo • Sparkling nonalcoholic cider or grape juice with more than 50% fruit juice

To learn more about Vermont business taxes, visit our website at www.tax.vermont.gov or contact the Department's Business Tax Section at tax.business@vermont.gov or (802) 828-2551, option 3.

