



Fiscal Fact

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Meals Taxes in Major U.S. Cities

Highest in Minneapolis, Chicago, Virginia Beach, Seattle, and Washington, D.C.

By

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Tourists and business travelers quickly learn that taxes on meals are sometimes higher than taxes on other goods. Meals taxes generally apply to purchases of prepared food that are consumed in a restaurant or similar establishment, or taken “to go” for later consumption. In contrast, sales of groceries (or “non-prepared food”) are completely exempt from state sales tax in 30 states and the District of Columbia and partly exempt in a further eight states. Meals taxes are usually locally imposed but are sometimes imposed at the state level.

These high “prepared food” taxes are sometimes justified as a “luxury tax” intended to target higher-income individuals, although the wide diversity of takeout dining options suggests that such a tax is poorly targeted to achieve that goal. One could say that it is a tax on individuals with less flexible schedules or who do not like to cook—rich or poor.

Others justify these taxes as tourism taxes, designed to shift tax burdens to business and vacation travelers, similar to high taxes on hotel rooms and car rentals. Because the benefit derived from added economic activity from visitors and travelers probably exceeds the government services they use during their stay, “tourism” taxes are generally bad policy because they shift tax burdens away from those residents who actually demand and benefit from government services.

Regardless of the justification, meals taxes can add significant costs and lead to administrative complexity. For example, the Massachusetts Department of Revenue provides the following examples in attempting to explain which food transactions are subject to sales tax, which are subject to additional meals tax, and which are tax-exempt:

Example: If a restaurant serves a patron a lasagna dinner, then the dinner is taxable.

However, if the restaurant also sells frozen lasagna dinners that patrons heat in their own homes, these dinners are not considered meals and therefore are not taxable because they require additional preparation.

Example: If a patron purchases a pizza and two cans of soda from a restaurant, then both the pizza and sodas are taxable.

However, if the patron purchases a pizza and a two-liter bottle of soda to go, then the pizza is taxable, but the bottle of soda is tax-exempt since it was sold in an unopened original container of at least 26 fluid ounces.

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Example: If a restaurant offers a patron, upon presentation of a coupon, two meals for the usual price of one, the price of the free meal is excluded from the meals tax. The tax is due only on the actual amount the restaurant charges the patron.¹

Those who run restaurants and other eating establishments bear the burden of complying with these often complex rules.

The table below lists the sales tax and meals tax in the 50 U.S. cities with the highest population. Some key findings:

- Thirty-five of the 50 cities do not charge a higher tax on meals than on other goods.
- Visitors to Minneapolis, Minnesota pay the highest meals tax: a combined 10.775 percent rate. Combined rates are also high in Chicago, Illinois (10.75 percent), Virginia Beach, Virginia (10.5 percent), Seattle, Washington (10 percent), and Washington, D.C. (10 percent).
- Visitors to Virginia Beach, Virginia see the highest jump from the regular sales tax to the meals tax: a 110% increase from 5 percent to 10.5 percent.

Table 1: Meals Taxes in the 50 U.S. Cities with Largest Population

Population Rank	City	State	Sales Tax	Additional Meals Tax	Combined Tax on Meals	Combined Tax Rank
1	New York City	NY	8.875%	-	8.875%	18
2	Los Angeles	LA	8.75%	-	8.75%	19
3	Chicago	IL	9.5%	1.25%	10.75%	2
4	Houston	TX	8.25%	-	8.25%	25
5	Philadelphia	PA	8%	-	8%	33
6	Phoenix	AZ	9.3%	-	9.3%	7
7	San Antonio	TX	8.25%	-	8.125%	30
8	San Diego	CA	7.75%	-	7.75%	37
9	Dallas	TX	8.25%	-	8.25%	25
10	San Jose	CA	8.25%	-	8.5%	22
11	Jacksonville	FL	7%	2%	9%	14
12	Indianapolis	IN	7%	2%	9%	14
13	San Francisco	CA	8.5%	-	8.5%	22
14	Austin	TX	8.25%	-	8.25%	25
15	Columbus	OH	6.75%	-	6.75%	45
16	Fort Worth	TX	8.25%	-	8.25%	25
17	Louisville	KY	6%	-	6%	46
18	Charlotte	NC	8%	1%	9%	14
19	Detroit	MI	6%	-	6%	46
20	El Paso	TX	8.25%	-	8.25%	25
21	Memphis	TN	9.25%	-	9.25%	9
22	Baltimore	MD	6%	-	6%	46
23	Boston	MA	6.25%	0.75%	7%	43
24	Seattle	WA	9.5%	0.5%	10%	4

¹ Massachusetts Department of Revenue, *A Guide to Sales Tax on Meals*, <http://www.mass.gov/dor/individuals/taxpayer-help-and-resources/tax-guides/meals-tax-guide.html>.

25	Washington	DC	6%	4%	10%	4
26	Nashville	TN	9.25%	-	9.25%	9
27	Denver	CO	4.1%	4%	8.1%	31
28	Milwaukee	WI	5.6%	0.05%	5.65%	49
29	Portland	OR	-	-	-	50
30	Las Vegas	NV	8.1%	-	8.1%	31
31	Oklahoma City	OK	8.375%	-	8.375%	24
32	Albuquerque	NM	6.9995%	-	6.9995%	44
33	Tucson	AZ	9.1%	-	9.1%	11
34	Fresno	CA	7.975%	-	7.975%	36
35	Sacramento	CA	7.75%	-	7.75%	37
36	Long Beach	CA	8.75%	-	8.75%	19
37	Kansas City	MO	7.85%	1.225%	9.075%	12
38	Mesa	AZ	9.05%	-	9.05%	13
39	Virginia Beach	VA	5%	5.5%	10.5%	3
40	Atlanta	GA	8%	-	8%	33
41	Colorado Springs	CO	7.4%	-	7.4%	42
42	Omaha	NE	7%	2.5%	9.5%	6
43	Raleigh	NC	6.75%	1%	7.75%	37
44	Miami	FL	7%	2%	9%	14
45	Cleveland	OH	7.75%	-	7.75%	37
46	Tulsa	OK	7.5%	-	7.5%	41
47	Oakland	CA	8.75%	-	8.75%	19
48	Minneapolis	MN	7.775%	3%	10.775%	1
49	Wichita	KS	9.3%	-	9.3%	7
50	Arlington	TX	8%	-	8%	33

Source: Tax Foundation review of city and state websites.

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