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Gail Cole • May. 18, 2016



Soda taxes are popping up all over the place. [Berkeley](#) and [Mexico](#) have one; [Homer](#), Alaska, [Barbados](#), and [Vermont](#) too. Britain soon will, and [Philadelphia](#) is working to implement one. The list goes on.

Yet soda taxes are not without controversy. In the months leading up to the vote on Berkeley's soda tax in 2013, the American Beverage Association (aka: Big Soda) [waged war on the tax](#). The industry has successfully defeated proposed soda taxes in San Francisco and [two other California towns](#), but Big Soda isn't the only soda tax adversary. Many individuals say they smack of the nanny-state. Others argue they're a doubling down on a tax — sales tax — that's already regressive. Alternatively,

proponents speak of the win-win nature of taxing products known to cause health

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Although it isn't often referenced by presidential candidates, sales tax has always been political. State legislators spend a fair bit of time carving out sales tax exemptions and discussing the pros and cons of raising taxes, lowering taxes, eliminating taxes and broadening taxes. And after decades of the enactment and repeal of sales tax legislation in 45 states plus the District of Columbia, sales tax compliance is complicated.

Nowhere is this more evident than with the food and beverage industry.

### **It's all in how you slice and serve it**

Food taxability often hinges on the darndest things. For example:

- In [New Jersey](#), taxation depends on the percentage of business that is prepared food sales and whether or not utensils are actually given to the consumer (as opposed to just being made available).
- In [New York](#), candy and soda sold for \$1.50 or less are subject to sales tax when sold in a store but exempt when sold from a vending machine.
- In [Utah](#), deli salads and donuts served with utensils are taxed at the general rate of sales tax; if utensils are not provided, a reduced rate applies.

### **States aren't soft on soda tax**

Back to soda taxes. [Vermont imposed a tax on soda](#) and many other sugary beverages beginning July 1, 2015. In September of that year, many retailers and consumers were [still sorting out](#) which products were subject to the tax and which were not. Although the Vermont Department of Taxes strove to facilitate the transition and worked overtime to answer questions, confusion reigned rampant.

Vermont imposes sales tax on “soft drinks,” defined as “nonalcoholic beverages that

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containing 40% fruit juice versus those with 51% or more?

### **Make sales tax management more palatable**

The complex nature of product taxability, especially for food and beverages, can be a lot to swallow. For a look at just how mixed up sales tax rules on food and beverages can be, check out this short Will's Whiteboard video on [How Food Gets Taxed](#).

Each state determines how these products are taxed differently. When multiple jurisdictions and products are involved, time spent on sales tax management can quickly snowball. Sales tax automation software like Avalara AvaTax takes this tedious task off your plate so you can fill your time with activities that generate profits, not eat away at them.

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Gail Cole is a sales tax expert at [Avalara](#) with a penchant for digging through the depths of BOE sites and discovering and reporting rate changes across the country.

Accounting • Sales Tax

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