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There are few activities as convenient as stocking up on road trip snacks, beverages, lottery tickets, and myriad other items while you fill up the tank. But all that convenience comes at a cost for the people who manage a store's many business licenses, permits, and taxability rules and rates on everything that lines its shelves.

From a tax standpoint, you can almost view a convenience store as multiple stores

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sector simply because of the diverse items they sell. Consider the following: Selling a frozen burrito often requires a different business license and is charged a different tax rate than selling a burrito fresh from the hot case. That's just one scenario from a complex web of tax rules that varies from state to state.

Typical convenience store products and services that may require dedicated business licenses or permits, and are subject to varying rates and taxability rules:

- Frozen food
- Packaged food
- Prepared food
- Soda and candy
- Fruits and vegetables
- Over-the-counter medication
- Alcoholic beverages
- Lottery tickets
- Tobacco and vape products
- Propane
- Live bait
- Automotive repair, servicing, or detailing
- Money distribution centers (ATMs)

Not only do states apply sales tax rules based on the [status of the food](#) as it's sold — hot, cold, prepared, frozen, or packaged — some even make tax conditional to whether utensils are handed out with the purchase.

“There are so many strange tax laws,” says Lisa Dodson, who manages the price book for Yesway. “For example, in Iowa, a candy bar that contains flour is non-taxable, but one without flour is taxable. We can't have those kinds of complexities slowing our

growth or creating unnecessary compliance risks such as penalties, fines, or

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When it comes to non-prepared meals, convenience stores must account for the various tax exemption rules on its food products, aka groceries. In many locations groceries aren't taxed, but the rules aren't uniform across the board. Three states tax food at the full rate: [Alabama](#), [Mississippi](#), and [South Dakota](#). Four states tax food at the full rate but offset the tax with credits or rebates for qualifying taxpayers: [Hawaii](#), [Idaho](#), [Kansas](#), and [Oklahoma](#). And six states tax food at a reduced rate: [Arkansas](#), [Illinois](#), [Missouri](#), [Tennessee](#), [Utah](#), and [Virginia](#).

The remaining 37 states and the District of Columbia exempt most food for home consumption, though local taxes may apply in some states (e.g., [Arizona](#), [Colorado](#), [Georgia](#), [Louisiana](#), [North Carolina](#), and [South Carolina](#)).

[Check out this blog post for a deep dive on state rules for tax exemptions on groceries.](#)

## Understanding tax types

It's not as simple as fully comprehending the sales tax rules on what you sell; it also requires understanding the specific rates and rules for each tax *type*.

- **Sales and use tax** is levied by states and local municipalities on consumer transactions of goods and services, the collection of which is determined by the connection a business has to a state, either based on physical location, sales volume, or other means. Check out our [sales tax nexus](#) resource page for a deeper dive.
- **Excise tax** is a federal tax imposed on select products, including fuel, alcohol, and tobacco. The taxability rules and regulations surrounding excise products differ from the rules for sales and use tax.
- **Consumer use tax** is a tax that falls to the seller, who is then accountable for remitting the appropriate consumer use tax to authorities. Consumer use tax liability can also be triggered when a seller consumes inventory purchased tax free

for resale. Consumer use tax within a convenience store commonly applies when

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If you'd like to dig deeper into business license information, click over to our blog: [Business licenses: How many do you need, and how do you get them?](#) To get your bearings on the latest sales tax changes, read [Avalara tax changes 2022](#).

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Sales Tax

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