



QofM

DECEMBER 2022 QUESTION OF THE MONTH Which states charge sales tax on groceries?

Thirty-seven states do not currently levy a sales tax on groceries.* As seen in **Table 1**, 13 states tax groceries, with three states taxing groceries at the same rate as non-grocery goods (**Alabama, Mississippi, and South Dakota**). Of the remaining states, five charge a lower tax rate for groceries (**Arkansas, Illinois, Missouri, Tennessee, and Virginia**) and five provide a grocery tax credit or rebate (**Hawaii, Idaho, Kansas, Oklahoma, and Utah**). These credits and rebates generally compensate for some of the grocery taxes paid and are often set as a standard rate per family member.¹

Tennessee is the only state to enact a temporary grocery tax suspension in recent years. In April 2022, the Tennessee General Assembly passed legislation recommended by Governor Bill Lee which suspended the sales tax on groceries for one month: August 2022. According to Governor Lee, this suspension was designed to help residents address rising grocery bills due to inflation. The tax exemption included food and food ingredients, but excluded food purchased from a "micro market[†] or vending machine, alcoholic beverages, tobacco, candy, dietary supplements, and prepared food." There is no word yet on whether Tennessee plans to carry out another grocery tax suspension.^{2,3,4}

TABLE 1. THIRTEEN STATES INCLUDE GROCERIES IN THE SALES TAX

State	Standard Tax Rate	Grocery Tax Rate	Grocery Tax Rebate
Alabama	4.00%	4.00%	
Arkansas	6.50%	0.125%	
Hawaii	4.00%	4.00%	✓
Idaho	6.00%	6.00%	✓
Illinois	6.25%	1.00%	
Kansas	6.50%	6.50%	✓
Mississippi	7.00%	7.00%	
Missouri	4.225%	1.225%	
Oklahoma	4.50%	4.50%	✓
South Dakota	4.50%	4.50%	
Tennessee	7.00%	4.00%	
Utah	4.85%	1.75%	✓
Virginia	5.30%	2.50%	

Source: Jared Walczak, "The Surprising Regressivity of Grocery Tax Exemptions," Tax Foundation, April 13, 2022, <https://taxfoundation.org/sales-tax-grocery-tax-exemptions/>.

* Five states do not charge a sales tax: **Alaska, Delaware, Montana, New Hampshire, and Oregon.**

[†] An unattended food establishment with an automated payment system that sells pre-packaged prepared food.

¹ Jared Walczak, "The Surprising Regressivity of Grocery Tax Exemptions," Tax Foundation, April 13, 2022, <https://taxfoundation.org/sales-tax-grocery-tax-exemptions>.

² "Tennessee's Month-Long Grocery Sales Tax Holiday Is Underway," *Localmemphis.com*, August 7, 2022, <https://www.localmemphis.com/article/money/tennessees-month-long-grocery-sales-tax-holiday-is-underway/522-dc57e556-9461-43f7-b622-997f024a8d69>.

³ "Wednesday Marks Last Day of Tax-Free Groceries in Tennessee," *WZTV*, August 31, 2022, <https://fox17.com/news/local/wednesday-marks-last-day-of-tax-free-groceries-in-tennessee-gov-bill-lee-nashville-inflation-cost-sales-tax-holiday>.

⁴ "2022 Sales Tax Holiday for Food and Food Ingredients," Tennessee Department of Revenue, June 2022, <https://www.tn.gov/content/dam/tn/revenue/documents/notices/sales/sales22-10.pdf>.