Sales and Use Tax Notice

Notice #21-10

May 2021

2021 Sales Tax Holiday for Food, Food Ingredients, and Prepared Food

Sales Tax Holiday During the Week of July 30 to August 5

Public Chapter 456 (2021), effective July 1, 2021, creates a new sales tax holiday for the week beginning 12:01 a.m. on Friday, July 30, 2021 and ending at 11:59 p.m. on Thursday, August 5, 2021. During this period, food, food ingredients, and prepared food products may be purchased tax free.

Food and Food Ingredients

“Food and food ingredients” are defined as liquid, concentrated, solid, frozen, dried, or dehydrated substances that are sold to be ingested or chewed by humans and are consumed for their taste or nutritional value. Food ingredients do not include alcoholic beverages, tobacco, candy, dietary supplements, and prepared food. For more information and examples of food and food ingredients, please see Important Notice 17-20.

The most common example of a retailer selling food and food ingredients is a grocery store.

Prepared Foods

A food item is considered “prepared food” if it meets one of the following qualifications:

- It is sold in a heated state or heated by the seller;
- It contains two or more food ingredients mixed together by the seller for sale as a single item; or
- The vendor who sells it also provides eating utensils, such as plates, knives, forks, spoons, glasses, cups, napkins, or straws.

For examples of prepared food, please see Important Notice 17-21.

The most common example of a retailer selling prepared food is a restaurant.

Prepared Food Purchased Prior to the Sales Tax Holiday and Received During the Sales Tax Holiday Period Qualify

Sales of prepared food are also considered exempt if:

- The payment for the food is made prior to the sales tax holiday period; and
- The food is received by the purchaser during the holiday period.

For example, an individual pays a caterer on June 1, 2021 for food that will be served at an event occurring on August 2, 2021. Because the food is delivered to the individual on August 2, during the sales tax holiday, this sale is exempt from sales tax.

Sales of prepared food where the payment for the food is made during the sales tax holiday period and

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the food is delivered after the holiday period remain taxable transactions.

**Reporting Exempt Sales**

Proper reporting of sales made during the sales tax holiday is required of all vendors. For the July 2021 and August 2021 reporting periods, sales should be reported as follows:

1. Report all sales (taxable and non-taxable) on, Page 1, Line 1 (Gross Sales) of the sales tax return.
2. Sales of exempt food, food ingredients and prepared food made during the holiday period must be reported on Schedule A, Line 10 (Sales Tax Holiday).
3. Taxable sales of food and food ingredients made outside of the holiday period must be reported on Schedule A, Line 1 (Net taxable food sales).
4. Annual sales tax holiday sales of clothing, school supplies, and computers must also be reported on the Sales Tax Holiday line, Schedule A, Line 10.

For more information, please see the illustration below.

**For More Information**

Visit [www.tn.gov/revenue](http://www.tn.gov/revenue). Click on Revenue Help to search for answers or to submit an information request to one of our agents.

**References**