

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

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. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Tenn. Code Ann. §§ 67-6-102 and 67-6-393. Public Chapter 456 (2021).

Schedule A- Exempt Transactions (See Separate Instructions)

Taxable food and food ingredients sales made between July 1 – July 29 and August 6 – August 31

1. Net taxable food sales..... (1) _____
2. Sales made to vendors or other establishments for resale, and sales of items to be used in processing articles for sale. (Certificates of Resale required) (2) _____
3. Sales of items paid for with SNAP Benefits (3) _____
4. Sales to federal or Tennessee governments and qualified nonprofit institutions (Certificate required) (4) _____
5. Returned merchandise reported as sales on this or a previous return. Show on Schedule B, Line 2 amounts claimed on Schedule B, Line 4, of prior returns..... (5) _____
6. Exempt industrial machinery and agricultural purchases (6) _____
7. Sales in interstate commerce (7) _____
8. Repossessions - portion of unpaid principal balances in excess of \$500 due on TPP repossessed from customers. Report same amount on Schedule B, Line 2 (8) _____
9. Other deductions (See instructions) (9) _____
10. Sales Tax Holiday (last Friday in July through following Sunday) (10) _____
11. Total exemptions (Add Lines 1 through 10; enter here and on first page, Line 6)..... (12) _____

Exempt food, food ingredients, and prepared food sales made during holiday period in addition to annual sales tax holiday sales

Disclaimer: The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.