



Thank you for joining the Vermont Retail and Grocers Association Webinar presented by the Vermont Department of Taxes.

The webinar will begin shortly.

Vermont Retail and Grocers Association Webinar

2015 Legislative Changes

Candace Morgan, Director
Policy, Outreach, and Legislative Affairs

Devon J. Green, Special Counsel for Tax Legislation
Vermont Department of Taxes

Jeffrey Dooley, Lead Tax Policy Analyst
Policy, Outreach, and Legislative Affairs

Today's Agenda

- Sales tax on soft drinks
- Cigarette and tobacco tax increase
- Floor stock tax
- Wage garnishment
- Technical Changes
- Questions?

Sales Tax on Soft Drinks

- Effective July 1, 2015, the sales of soft drinks are subject to Vermont Sales and Use Tax. The food, food product, and beverages exemption no longer applies to soft drinks.
 - The sales tax rate is 6.0%, unless in a local option town.
 - Sales tax is destination based, meaning the tax is applied based on the location where the buyer takes possession of the item or where it was delivered to the buyer

Definition of “Soft Drinks”

- Soft drinks are nonalcoholic beverages that contain natural or artificial sweeteners.
- Soft drinks are NOT:
 - Beverages that contain milk or milk products, soy, rice, or similar milk substitutes
 - Beverages that contain greater than 50% of vegetable or fruit juice by volume.

Definition of “Soft Drinks,” cont.

- *Bottled water.* Bottled water (carbonated or non-carbonated, flavored) is exempt from sales tax *only if* sweeteners are not added. Please note that water sold by vending machines or restaurants is subject to Meals and Rooms Tax.
- *Non-alcoholic and alcoholic beverages.* Non-alcoholic beer is now subject to sales tax because it contains sweeteners. Alcoholic beverages as defined in Vermont law are not considered a food, food product, or beverage and therefore have been subject to sales tax.
- *Beverage powders and concentrates.* Beverage powders and concentrates are not considered soft drinks and are exempt from sales tax.

Definition of “Soft Drinks,” cont.

If the product label contains	The drink is taxable/not taxable	Examples
<ul style="list-style-type: none"> • Agave • Aspartame • Barley malt • Corn syrup • Dextrose • Fructose • Fruit juice concentrate • Honey • Maple syrup • Molasses • Stevia • Sucrose • Other natural or artificial sweeteners 	<p>Taxable</p>	<ul style="list-style-type: none"> • Bottled or canned water that contains sweeteners • Coffee or tea drinks that contain sweeteners • Fruit ades, drinks, or nectars that have sweeteners and have 50% or less vegetable or fruit juice • Nonalcoholic beer or near bear, such as O’Doul’s • Energy drinks, such as Red Bull • Sports drinks • Soda • Sparkling non-alcoholic cider or grape juice with less than 50% fruit juice

Definition of “Soft Drinks,” cont.

If the product label contains	The drink is taxable/not taxable	Examples
<ul style="list-style-type: none"> • Milk or milk products • Soy, rice, or similar milk substitutes • More than 50% vegetable or fruit juice by volume, even if the juice contains sweeteners • Does not list a sweetener but lists a “natural flavor,” “essence,” or “spice” 	<p>Not taxable</p>	<ul style="list-style-type: none"> • Apple cider • Beverage powders or concentrates • Bottled or canned water with no sweeteners • Coffee beans or grounds and tea leaves • Nutritional drinks that contain milk and milk substitutes • Milk and drinks that contain milk, such as Frappucino or Yoo-hoo • Sparkling non-alcoholic cider or grape juice with more than 50% fruit juice

For a more complete list, please refer to our fact sheet online. If you have a specific question about a soft drink, please call our Business Tax Section at 802-828-2551, option 3.

State Laws that are similar to Vermont's Sales Tax on Soft Drinks

Indiana	New Jersey	Rhode Island
Iowa	North Carolina	South Dakota
Kansas	North Dakota	Washington
Kentucky	Ohio	West Virginia
Minnesota	Oklahoma	Wisconsin

Note: As of today. This is not an exhaustive list, laws subject to change.

Purchase of “Soft Drinks” with SNAP

- Federal law prohibits charging sales tax on food, including soft drinks purchased with assistance through the Supplemental Nutrition Assistance Program (SNAP)/3SquaresVT.
- If a customer purchases taxable and nontaxable food stamp eligible items and pays with a combination of food stamps and cash, credit card, or debit card, the vendor must apply the food stamps to the eligible taxable items first, and then any remaining food stamps to the eligible nontaxable purchases.

Purchase of “Soft Drinks” with SNAP

A customer makes the following purchases:

Item	SNAP?	Sales Tax?	Price
Fresh Fruit and Vegetables	Yes	No	\$10.00
Diet Soda	Yes	Yes	\$10.00
Batteries	No	Yes	\$10.00
Total			\$30.00

Purchase of “Soft Drinks” with SNAP

Ring the drinks up, first:

Item	SNAP?	Sales Tax?	Price
Diet Soda	Yes	Yes	\$10.00
Fresh Fruit and Vegetables	Yes	No	\$10.00
Batteries	No	Yes	\$10.00
Total			\$30.00

Purchase of “Soft Drinks” with SNAP

The customer pays with \$8 in
3SquaresVT/EBT and \$22 in cash:

Item	SNAP?	Sales Tax?	Price
Diet Soda	Yes	Yes	\$10.00
Apply 3SquaresVT/EBT			-\$8.00
Taxable amount after 3SquaresVT/EBT			\$2.00

Purchase of “Soft Drinks” with SNAP

The customer pays with \$8 in 3SquaresVT/EBT and \$22 in cash:

Item	SNAP?	Sales Tax?	Price
Diet Soda	Yes	Yes	\$10.00
Apply 3SquaresVT/EBT			-\$8.00
Taxable amount after 3SquaresVT/EBT			\$2.00
Fresh Fruit and Vegetables	Yes	No	\$10.00
Batteries	No	Yes	\$10.00

Purchase of “Soft Drinks” with SNAP

The customer pays with \$8 in
3SquaresVT/EBT and \$22 in cash:

Item	SNAP?	Sales Tax?	Price
Diet Soda	Yes	Yes	\$5.00
Taxable amount after 3SquaresVT/EBT			\$2.00
Fresh Fruit and Vegetables	Yes	No	\$10.00
Batteries	No	Yes	\$10.00

Purchase of “Soft Drinks” with SNAP

The customer pays with \$8 in
3SquaresVT/EBT and \$22 in cash:

Item	SNAP?	Sales Tax?	Price
Diet Soda	Yes	Yes	\$5.00
Taxable amount after 3SquaresVT/EBT			\$2.00
Fresh Fruit and Vegetables	Yes	No	\$10.00
Batteries	No	Yes	\$10.00

Purchase of “Soft Drinks” with SNAP

The customer pays with \$8 in 3SquaresVT/EBT and \$22 in cash:

Item	SNAP?	Sales Tax?	Price
Diet Soda	Yes	Yes	\$5.00
Taxable amount after 3SquaresVT/EBT			\$2.00
Fresh Fruit and Vegetables	Yes	No	\$10.00
Batteries	No	Yes	\$10.00
Total Taxable Amount			\$12.00

Purchase of “Soft Drinks” with SNAP

When a customer uses coupons, food stamps, and cash, or a credit card or debit card to purchase food and beverages, the vendor must complete the transaction as follows:

1. Total any taxable items that can be purchased with food stamps.
2. Subtract any store coupons that apply to the taxable items that are included in the total from step 1 above. This will lower the amount subject to tax.
3. Subtract the amount of food stamps used by the customer from the total computed in step 2 above. Any remaining balance is the amount of eligible food stamp purchases subject to sales tax.
4. Add any taxable items that cannot be purchased with food stamps to the total from step 3 above.
5. Calculate the sales tax due by multiplying the amount calculated in step 4 above by the sales tax rate.

Cigarette and Tobacco Product Increase

- Effective July 1, 2015, the rate of tax on cigarettes and tobacco products will increase by \$0.33.
- Our updated forms will be posted on our website in August, after the July filing due date.

Floor Stock Tax

- Imposes a floor stock tax on every retail dealer and the tobacco in possession as of 12:01AM on July 1, 2015.
- The floor stock tax form and tax is due on or before August 25, 2015.
- The form has been mailed to all retailers and distributors (700+) and is also available on our website.

Wage Garnishment/Attachment

- The Department currently garnishes wages through court system
- With new law, the Department can garnish wages directly with the employer by sending employer a notice of garnishment
- What employers see will be very similar to current practice
 - Exemptions remain the same except with Tax Department garnishment, 80% of wages or 40 times the federal hourly minimum wage (whichever greater) are protected.
 - Currently only 75% of wages or 35 times the federal hourly minimum wage are protected.

“Technical” Changes

- **W-2 Information**
 - Requires employers to provide the cost of employer-sponsored healthcare on W-2s
- **Federal Withholding**
 - Requires payment of withholding tax on a semiweekly basis if the taxpayer is a semiweekly filer at the federal level.
 - Starts July 1, 2015

Resources

Sales Tax on Soft Drinks Fact Sheet:

- http://www.state.vt.us/tax/pdf.word.excel/factsheets/Soft%20Drink%20FS_Iss2015.pdf

Information on SNAP:

- <http://www.fns.usda.gov/snap/retailers-store-training-information>

Information on health care and W-2s:

- <http://legislature.vermont.gov/assets/Documents/2016/WorkGroups/House%20Health%20Care/Miscellaneous%20Tax%20Bill/W~Devon%20Green~Adding%20Health%20Insurance%20Information%20to%20W-2s~2-4-2015.pdf>



Questions?

Contact Information

Taxpayer Services:
802-828-2551, Option 3