



This Week in State Tax (TWIST)

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Tennessee: Governor Signs Bill Addressing Local Taxes on Food

Tennessee is one of a handful of states that impose sales and use tax on food; the state rate is currently four percent, which is lower than the general 7 percent state sales tax rate. Currently, municipalities may impose an additional 2.75 percent rate on sales of food and food ingredients. If the county imposes tax at the 2.75 percent rate, then the City rate is zero. Effective October 1, 2024, [House Bill 2641](#) allows certain incorporated cities the ability to exempt sales of food and food ingredients from municipal sales tax, or impose a tax at a reduced rate. "Food and food ingredients" are defined as substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. The definition does not include alcoholic beverages, tobacco, candy, dietary supplements, or prepared food. "Prepared food" means: (1) food sold in a heated state or heated by the seller, such as rotisserie chickens; (2) two or more food ingredients mixed or combined by the seller for sales as a single item, such as cakes from a bakery; or (3) food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. Note, utensils provided by the manufacturer, as opposed to the seller (e.g., tuna lunch kits), are still classified as food and food ingredients.

As noted above, the maximum combined local sales tax rate for cities and counties in Tennessee is 2.75 percent. If a county imposes a 2.75 percent local sales tax rate, then the city tax rate must be 0 percent. This means that House Bill 2641 is relevant to cities located in counties that impose a local sales tax rate less than 2.75 percent. A city must provide a certified copy of the adopted ordinance or resolution to the Department of Revenue and the passage of an exemption or reduced rate may take effect only on the first calendar day of the month occurring at least 60 days after the Department receives the certified copy. Because of the potential for varying rate changes, businesses that sell food and food ingredients will need to monitor local ordinance changes. Please contact [Justin Stringfield](#) with questions.

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