

Sales Tax on Candy

7% State Tax Rate Applies to Candy Sales

Candy is subject to the general state sales and use tax rate of 7%, plus the applicable local tax rate. The law does not define candy as food or food ingredients, which are subject to a reduced state rate of 4%, plus the applicable local tax rate.

Candy Defined

Candy is defined as a preparation of sugar, honey or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops or pieces. A candy preparation is made by means of heating, coloring, molding or otherwise processing any of the above ingredients. For example, reducing maple syrup into pieces and adding coloring results in a maple candy preparation.

Candy Must Be in the Form of Bars, Drops or Pieces

A bar is a product that is sold in a square, oblong or similar shape, and a drop is a product that is sold in a round, oval, pear or similar shape. A piece is a smaller portion of a product that has the same make-up as the product as a whole.

Other Ingredients that May be Included in Candy

Candy may include ingredients or flavorings other than chocolate, fruits or nuts that are similar to these types of ingredients. For example, candy may include candy coatings such as carob, vanilla and

yogurt; flavorings and extracts such as vanilla, maple, mint and almond; and seeds.

Candy May Include Natural or Artificial Sweeteners

A natural or artificial sweetener is an ingredient that adds a sugary sweetness to the taste of the food product. Examples of this include corn syrup, dextrose, invert sugar, sucrose, fructose, sucralose, saccharin, aspartame, stevia, fruit juice concentrates, molasses, evaporated cane juice, rice syrup, barley malt honey, maltitol, and agave.

Candy Does Not Contain Flour

Candy does not include any preparation containing flour. If one of the listed ingredients on the label is flour (regardless of what type of flour it is), that item is considered food or a food ingredient, and it is taxed at the reduced food state tax rate of 4%, plus the applicable local tax rate.

Candy Does Not Require Refrigeration

Candy does not require refrigeration, even if it is sold in a refrigerated or frozen state. If an item requires refrigeration, as stated on the label, it is considered food or a food ingredient and is taxed at the reduced food state tax rate of 4%, plus the applicable local tax rate.

Examples of Candy

The following are examples of items that are candy, and they are subject to the general state rate of 7%, plus the applicable local tax rate:

- Baking bars (sweet or semi-sweet)
- Beer nuts
- Breath mints
- Cake decorations (excluding frosting)
- Candy bars (without flour)
- Caramel or other candy-coated popcorn
- Caramel or other candy-coated apples
- Cereal bars (without flour)
- Chewing gum
- Chocolate chips (sweet or semi-sweet)
- Chocolate covered or honey roasted nuts or seeds
- Chocolate covered potato chips
- Dried fruit (with sweeteners)
- Peanut brittle
- Marshmallows
- Yogurt covered raisins

Taxation of Candy when Sold with Non-Candy Food Items

A packaged combination of individually wrapped candy and non-candy (food) is a bundled sale and taxed at the general state tax rate. Products whose ingredients are a combination of various unwrapped candy and food ingredients (e.g., breakfast cereals and trail mix with candy pieces) are considered food and food ingredients, and they are subject to the reduced food state tax rate. Note that a packaged combination, the ingredients of which are only candies and candy pieces, is considered candy (e.g., a mixture of chocolate chips, yogurt covered raisins, and sweetened dry fruit).

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; Tenn. Code Ann. § 67-6-228