

## **TITLE 280 – DEPARTMENT OF REVENUE**

### **CHAPTER 20 – DIVISION OF TAXATION**

#### **SUBCHAPTER 70 – SALES AND USE TAX**

##### **Part 4 – Local Meals and Beverage Tax**

#### **4.1 Purpose**

This regulation implements R.I. Gen. Laws Chapters 44-18 and 44-19. This Chapter provides for the regulation of Local Meals and Beverage Tax that is to be administered and collected in conjunction with the State Sales and Use Tax. These rules govern the interpretation and application of that tax.

#### **4.2 Authority**

These rules and regulations are promulgated pursuant to R.I. Gen. Laws § 44-1-4 and R.I. Gen. Laws § 44-19-33.

#### **4.3 Application**

The terms and provisions of these rules and regulations shall be liberally construed to permit the Department of Revenue to effectuate the purposes of R.I. Gen. Laws Chapters 44-18, 44-19 and other applicable state laws and regulations.

#### **4.4 Severability**

If any provision of these rules and regulations, or the application thereof to any person or circumstances, is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected thereby.

#### **4.5 Definitions**

- A. "Beverage" means all nonalcoholic beverages, as well as alcoholic beverages, beer, lager beer, ale, porter, wine, similar fermented malt or vinous liquor.
- B. "Meal" means any prepared food or beverage offered or held out for sale by any eating and/or drinking establishment for the purpose of being consumed by any person to satisfy the appetite and which is ready for immediate consumption. All

such food and beverage, unless otherwise specifically exempted or excluded herein shall be included, whether intended to be consumed on the seller's premises or elsewhere, whether designated as breakfast, lunch, snack, dinner, supper or by some other name, and without regard to the manner, time or place of service.

C. "Prepared food" means any one of the following:

1. Food sold in a heated state or heated by the seller;
2. Food items that are a result of the combination of two or more food ingredients by the seller to make single items except:
  - a. Food that is only cut, repackaged, or pasteurized by the seller; or
  - b. Eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the U. S. Food and Drug Administration; or
  - c. Food sold in an unheated state by weight or volume as a single item unless sold by the seller with utensils; or
  - d. Bakery items sold as such, including but not limited to bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pie, tarts, muffins, bars, cookies, and tortillas unless sold by the seller with utensils; or
  - e. Food sold by a seller that is primarily manufactured in accordance with NAICS Section 311, except Bakeries (NAICS § 3118) unless sold by the seller with utensils.
3. Food sold with eating utensils (plates, cutlery items, glasses, cups, napkins or straws). Plates do not include containers for transport, refer to § 4.8 of this Part for the threshold test.

D. "Eating and/or drinking establishments" includes but is not limited to restaurants, bars, taverns, lounges, cafeterias, lunch counters, drive-ins, roadside ice cream and refreshments stands, fish and chip places, fried chicken places, pizzerias, food and drink concessions, or similar facilities in amusement parks, bowling alleys, clubs, caterers, drive-in theaters, industrial plants, race tracks, shore resorts or other locations, lunch carts, mobile canteens and other similar vehicles, and other like places of business which furnish or provide facilities for immediate consumption of food at tables, chairs or counters or from trays, plates, cups or other tableware or in parking facilities provided primarily for the use of patrons in consuming products purchased at the location.

## **4.6 General**

- A. All eating and/or drinking establishments are required to charge and collect a one percent (1%) local meals and beverage tax on the sales of meals and/or beverages within this State, effective August 1, 2003. The tax applies whether or not the meals and/or beverages are prepared in the eating and/or drinking establishment and whether or not consumed on the premises.
- B. The one percent (1%) local meals and beverage tax is to be separately stated from the seven percent (7%) state sales tax on the sales check or other proof of sale. In the event that this requirement causes a hardship to a business, that business may issue sales checks or other proof of sale with the taxes combined at an eight percent (8%) rate. Although the sales check or other proof of sale to the customer may combine rates, the business must still maintain its books and records in such a manner to segregate the two taxes in order to properly report them to the Division of Taxation.
- C. The one percent (1%) local meals and beverage tax is administered and collected by the Division of Taxation and unless provided herein, all the administration, collection and other provisions of the State sales tax law (R.I. Gen. Laws Chapters 44-18 and 44-19) apply.
- D. The one percent (1%) local meals and beverage tax received by the Division of Taxation will be distributed to the city or town where the meals and/or beverages were delivered. Accordingly, each eating and/or drinking establishment must report the one percent (1%) local meals and beverage tax on its monthly or quarterly meals and beverage tax returns by city or town where the meals and/or beverages were delivered. The one percent (1%) local meals and beverage tax does not apply if the meal and/or beverage is delivered outside of this state.

## **4.7 Ancillary Changes**

- A. Many retailers of catered events or functions, whether the function or event is held on the retailer's premises or off-site, list charges on their invoice or statement for services and non-food items provided in connection with the sale of meals and beverages. Certain charges are not subject to the one percent (1%) local meals and beverage tax if they are marginally related to the sale or service of a meal or beverage, are reasonable in amount and are separately stated. These charges include, but are not limited to:
  - 1. Valet parking;
  - 2. Coat checking;

3. Fees charged or deposits forfeited for the cancellation of a function when no meal was served;
  4. Slippage (parking of boats at harbor side facilities);
  5. Transportation provided to or from a catered function;
  6. Lodging provided in connection with a catered function or meal;
  7. Entrance fees to nearby tourist attractions or sites of interest;
  8. Ceremony fees if the ceremony is provided outside of the facility room where the meal is served;
  9. Portable commodes or toilets furnished for an outdoor function;
  10. Facility charge for lecture or instruction class when a meal is not included (incidental beverage and food provided is not considered a meal);
  11. Cover charge when admittance to a facility is the only thing received (if cover charge includes a meal or beverage it is subject to tax);
  12. Membership fees when member is charged an amount to comply with the minimum spending requirement for an agreed period;
  13. Charges for entertainment (including bands, orchestras and disc jockeys);
  14. Any minimum or attrition fees (as long as the contracted meals were not provided);
  15. Decorations, ice sculpture or flowers;
  16. Charges for any tents or canopies provided when a catered event or function is held outdoors; or
  17. Audio visual equipment.
- B. Other charges are deemed to be reasonably related to the sale or service of a meal or beverages and are taxable, regardless if separately stated or not. These charges include, but are not limited to:
1. Charges for glassware, linen, china or silverware;
  2. Charges for tables or chairs;
  3. Gratuities stated on an invoice or statement by the retailer;

4. Corkage or set up fees;
  5. Any special labor or service charges such as bartender, chef's station or white glove service; or
  6. Charges for the public room wherein the catered event or function is held.
- C. The above lists of taxable and nontaxable ancillary charges are not exhaustive and are intended to be illustrative only. Charges for items of tangible personal property provided in connection with a meal that are not subject to tax under the Meals and Beverage Tax may be taxable under the Sales & Use Tax Laws. In addition, certain charges may also be taxable under the Hotel Tax (R.I. Gen. Laws § 44-18-36.1).

#### **4.8 Convenience & Food Stores, Delicatessens, & Bakery/Cafes**

- A. There are two criteria that must be met for a sale to be subject to the one percent (1%) local meals and beverage tax. The first criterion is whether or not the item sold is a meal and/or beverage as defined by § 4.5 of this Part. The second criterion is whether the meal and/or beverage is sold by an eating and/or drinking establishment as provided by § 4.5 of this Part.
- B. As a general rule, eating and/or drinking establishments do not include food stores and supermarkets. However, the law defines eating and/or drinking establishments as restaurants, bars, taverns, lounges, cafeterias, lunch counters and other like places of business which furnish or provide facilities for immediate consumption of food at tables, chairs or counters or from trays, plates, cups or other tableware provided primarily for the use of patrons in consuming products purchased at the location. Since the activities of some food stores and supermarkets fall within this definition, such stores or a certain area of the stores would qualify as eating and/or drinking establishment when selling prepared food and/or beverages. Therefore, such sales would be subject to the one percent (1%) local meals and beverage tax on those receipts.
- C. In the event that a food/delicatessen store or bakery/café provides facilities for immediate consumption of prepared food at tables, chairs, or counters in a general area, the entire store is considered an eating and/or drinking establishment and the one percent (1%) local meals and beverage tax, as well as the seven percent (7%) state sales tax applies to food catering sales as well as all prepared food and/or beverages purchased throughout the store, whether consumed on the premises or not.
- D. If the same facts stated above exist and a separate register is maintained in a specific area to record sales of prepared and catered food from this area only,

this area is considered an eating and/or drinking establishment and any prepared food and/or beverages sold from the other areas would not be subject to the one percent (1%) local meals and beverage tax.

1. Example 1: A convenience or food store provides facilities for immediate consumption of prepared food and/or beverages at tables, chairs, or counters in a general area of the store. However, there is no separate cash register to ring up the prepared food nor are their employee(s) attending to customers in the area where the tables are located. Customers may purchase prepared food and/or beverages from anywhere in the store and use the tables, chairs, or counter to consume the items. In this example, the store is considered an eating and/or drinking establishment and the one percent (1%) local meals and beverage tax applies to all prepared food and/or beverages purchased throughout the store, whether consumed on the premises or not.
2. Example 2: A convenience or food store provides facilities for immediate consumption of prepared food and/or beverages at tables, chairs, or counters in a specific area of the store. The prepared food and/or beverages are purchased by customers from employee(s) or at a cash register in that specific area only. The specific area is considered an eating or drinking establishment and all sales of prepared food and/or beverages from that specific area only are subject to the one percent (1%) local meals and beverage tax., whether consumed on the premises or not. Prepared food and/or beverages sold from the grocery section of the store are not subject to the one percent (1%) local meals and beverage tax.
3. Example 3: A convenience or food store sells prepared food but does not provide facilities for immediate consumption (tables, chairs or counters); the store is not an “eating and/or drinking establishment; therefore, the one percent (1%) local meals and beverage tax does not apply.

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