



JOHN LEBLANC/STAFF PHOTO

**COOKIES:** Don Grant of Grant's Bakery, Lewiston, holds some M&M cookies exploring the tax law where one cookie will be taxed, but six cookies purchased at once will not be subject to tax.

# Prepared for new tax

## New levy on food goes into effect Oct. 1

**D**on Grant's customers got an unexpected treat when the so-called "snack tax"

expired last January. The price of pastries, glazed donuts and cookies at Grant's Bakery dropped a few pennies each. Cakes were as much as a dollar cheaper. Some thought he had actually dropped his rates.

"There were a lot of people that didn't notice but there were a lot of smiles too," he says.

Those smiles may disappear come Oct. 1.

Under a broadly interpreted new prepared food tax meant to create an equal burden for restaurants that serve alcohol and those that don't, Grant's goodies will go from zero tax to 7 percent.

And of course there are a few exceptions. Buy a cookie

*The broadly interpreted new assessment is an effort to create an equal burden for restaurants that serve alcohol and those that don't.*

By KATHERINE SKELTON  
Business Writer

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wrapped in cellophane, and it's no longer considered a prepared food, hence, no tax. Buy six or more of the same items - mixing and matching donut varieties, for example - and again, there's no tax.

Grant says he's dreading the hours he's going to spend changing his accounting software, retooling his registers and training his employees on the new law. He got notice of the change in a monthly mailing from Maine Revenue Services in August.

"I've got to make some major modifications," he said.

"To me, this appears to be a snack tax circling in the back door."

The legislation, passed this last session, targeted three areas, according to the Maine Revenue Services bulletin: meals and food sold by restaurants, fast food chains and similar places that offer seating; food and drink sold by a retailer that's more self-service but ready to eat, such as a hot dog at a convenience store; and food and drink sold from a shop that prepares 75 percent or more of its goods on site.

The new tax will affect sandwich shops, bakeries, supermarkets, convenience stores, dairy bars, roadside stands, street vendors, caterers and concession stands, which currently tax at 5 percent. That will rise to 7 percent on Oct. 1, with few exceptions such as buying in bulk.

The tax for class-A restaurants, defined as those that serve alcohol, has been 7 percent and will remain unchanged.

Sen. Peggy Rousseau, D-Lewiston, met with the taxation committee, Maine Revenue Services and others last week to review the intention of the legislation. As it was originally interpreted, Rousseau said, a single donut at Grant's bakery would have been taxed at 7 percent while a single donut at a convenience store would have been taxed at 5 percent.

The issue was resolved, she

# Tax

CONTINUED FROM B6

said, by a new decision that both entities abide by the 7 percent tax.

"It's this gray area of what constitutes a meal, what constitutes prepared food," Rotundo said.

Eileen Bemis, deputy director of sales tax for Maine Revenue Services, said she wasn't sure how much money the new tax was anticipated to bring in. The number of businesses affected is also unclear, she said, because facilities like bowling alleys, sporting facilities and other small vendors are also subject to the new law.

"It's really difficult for us to

estimate how many of them there are," she said.

When the snack tax was in effect last year at 5 percent, Grant said he was sending between \$1,400 and \$2,500 a month to the state in sales tax. This year, without the tax, he's sent between \$200 and \$500 a month. His customers, and many others, will start feeling that hit again next month.

"There's just a limit to how many dollars folks have to spend," he said.

"Say what they want, the snack tax is back."

For the state's latest bulletin on the tax: [www.state.me.us/revenue](http://www.state.me.us/revenue) under sales tax rules for grocers and prepared food.

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