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S.F. No. 3958 – Sales tax exemption for prepared food sold by cottage foods sellers

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Under current law, prepared foods are subject to sales tax. Prepared foods are foods that meet either of the following conditions:

- Sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws; or
- Sold in a heated state or heated by the seller; or food that contains two or more ingredients that are combined by the seller for sale as a single item, except for:
 - bakery items, including, but not limited to, bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danishes, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas;
 - ready-to-eat meat and seafood in an unheated state sold by weight;
 - eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer to prevent food borne illnesses; or
 - food that is only sliced, repackaged, or pasteurized by the seller.

This bill exempts prepared food sold by sellers of cottage foods who are exempt from food licensing requirements from sales tax. These foods are subject to requirements including contents of a label, notice at point of sale, the types of prepared food that may be sold, and location of processing and canning. A seller exempt from food licensing requirements must have gross receipts of \$78,000 or less in a calendar year.

Effective for sales and purchases made after June 30, 2024.