

## DEPARTMENT OF STATE REVENUE

**Information Bulletin #7**  
**Sales Tax**  
**June 2023**  
**Effective Date: May 4, 2023**  
**(Replaces Bulletin #7, dated March 2023)**

**SUBJECT:** Application of Sales Tax to Meals and Banquets

**REFERENCES:** [IC 6-2.5-4-1](#); [IC 6-2.5-5-20](#)

**DISCLAIMER:** Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

### **SUMMARY OF CHANGES**

Aside from nonsubstantive, technical changes, this bulletin has been updated to reflect changes to the selling rules for nonprofits in Senate Enrolled Act 417 (2023).

### **INTRODUCTION**

Indiana sales tax generally applies to the selling price of meals, banquets, smorgasbords, and all other food and beverage services and must be collected by the person or entity preparing and/or serving the food to any organization, group, or individual, with certain exceptions as provided in Section III of this bulletin.

Food and beverage services are not generally considered to be used for the purpose for which an entity might otherwise be granted sales tax exemption. Typically, sales tax must be collected whether the individual members are charged separately or the entity pays the entire cost in a single payment, irrespective of the type of entity.

Gratuities are not taxable when they result from an unsolicited, affirmative action on the part of the customer to reward good service. Charges for serving food or beverages furnished, prepared, or served for consumption at a location, or on equipment provided by the retail merchant are not subject to sales tax. However, this exclusion only applies if the charges for the serving are stated separately from the price of the food and/or beverages when the purchaser pays the charge. Charges for delivery of prepared food, whether segregated or not, are subject to sales tax.

Some counties have adopted a food and beverage tax that applies to the sale of meals and banquets. Caterers who cater in those counties must collect and remit the food and beverage tax on food and/or beverages sold in the adopting counties. Please see General Tax Information Bulletin #203 (available online at [in.gov/dor/legal-resources/tax-library/information-bulletins/general-tax-information-bulletins/](http://in.gov/dor/legal-resources/tax-library/information-bulletins/general-tax-information-bulletins/)) or call the Department of Revenue for more information regarding local food and beverage taxes, including a current listing of those localities that have adopted a food and beverage tax.

### **INCLUSION OF ITEMS OTHER THAN FOOD SERVICES IN A SINGLE TICKET PRICE**

When events are held for which the price of the ticket or admission includes food services as well as entertainment and/or other intangible services, the entire selling price of the ticket is subject to Indiana sales tax unless the price charged for food service is stated separately from the other items.

### **EXEMPTION FROM SALES TAX**

#### **Nonprofit Organizations**

Meals purchased, prepared, and/or sold by a qualified nonprofit organization as a fundraising activity are exempt from sales tax when purchased and sold if:

- the proceeds from the sales are used to raise funds for the purpose for which such organization is granted exemption from sales tax; and
- beginning May 4, 2023, such organization does not make more than \$100,000 in sales in the current or previous calendar year.

**NOTE:** Before July 1, 2022, a nonprofit organization that conducted selling activities of any nature on more than

30 days in a calendar year, or, between July 1, 2022, and May 3, 2023, made more than \$20,000 in sales in a calendar year, was a retail merchant and was required to collect sales tax on all sales made during the calendar year.

Additionally, effective May 4, 2023, a qualified nonprofit that is a church (or other place of worship), monastery, convent, school that is a part of the Indiana public school system, a parochial school regularly maintained by a recognized religious denomination, or a youth organization focused on agriculture are not subject to these restrictions and are not required to collect sales tax no matter the purpose or the annual amount of sales they make.

For more information concerning nonprofit organizations, please see Sales Tax Information Bulletin #10, available online at [in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/](http://in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/).

### **Federal, State, and Local Government Entities**

The United States Constitution prohibits any state from imposing any tax directly on the U.S. government, its agencies, and its federal instrumentalities, unless Congress consents to such taxation. Thus, many transactions related to the purchasing of banquets and meals made by these entities are exempt from Indiana sales and other transaction-based taxes. For more information related to transactions involving the U.S. government, its agencies, and its federal instrumentalities, please refer to Sales Tax Information Bulletin #4, available online at the link above.

Meals purchased, prepared, and/or sold by a state or local government entity generally are subject to sales tax. Typically, purchases and sales of such meals by a governmental agency or subdivision are used in connection with or for a proprietary or nontraditional activity (i.e., an activity that traditionally is engaged in by a private or commercial entity and that does not directly serve the public's general health, welfare, and/or safety), which is subject to tax. However, in some instances, such as the furnishing of school meals to students by a school (or its agent), purchases and sales of meals are predominantly used by the entity to perform a governmental function and are exempt from sales tax on that basis. For more information related to transactions involving school meals, please refer to Sales Tax Information Bulletin #32, available online at the link above.

### **DOOR PRIZES AND OTHER GIVEAWAY MERCHANDISE**

When events or tickets include door prizes or other types of giveaway merchandise, the organization or group must pay sales tax on the purchase price of such merchandise unless the event and/or organization comes within the exemption provided to nonprofit organizations. For more information related to raffles or gaming events, please contact the Indiana Gaming Commission at the following address:

East Tower, Suite 1600  
101 W. Washington Street  
Indianapolis, IN 46204  
Telephone: (317) 233-0046

If you have any questions concerning this bulletin, please contact the Tax Policy Division at [taxpolicy@dor.in.gov](mailto:taxpolicy@dor.in.gov).

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Robert J. Grennes, Jr.  
Commissioner

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