Sales and Use Tax (Eating and Drinking Establishments)

Are meals prepared in restaurants, carry-outs, fast food establishments, delis, cafeterias, and bars, etc.. tax exempt?

The sale of meals and beverages for immediate consumption is subject to sales tax and any person making such sales must acquire a sales tax license and collect sales tax based upon the total consideration paid thereon.

Those eating and drinking establishment that include take-out food, fast food establishments, delis and bars must also collect and remit to the Department of Revenue state-collected sales tax as well special district and state-collected local taxes on prepared food for immediate consumption. This does not include items sold from vending machines. (See Vending Machines for more information).

Taxable food that is considered for immediate consumption includes meals sold at:

- Restaurants including take-out, fast food establishments, and carry-outs,
- lunch counters,
- cafes
- drugstores,
- social clubs, night clubs, and cabarets
- cafeterias and snack bars,
- caterers,
- pushcarts, and motor vehicles and other mobile facilities,
- resorts,
- prepared food at grocery stores and prepared food and beverages at convenience stores
- and all other like places of business at which prepared foods and beverages are sold.

Exception: Meals and beverages provided to employees of these establishments at no or a reduced charge are exempt from state sales tax.

Food otherwise provided by businesses or commercial entities, such as coffee, doughnuts, etc., served to customers or employees is subject to state sales tax when purchased by the business from a retailer.

Note: Food that is purchased but not prepared or **not** considered for immediate consumption is not subject to Colorado state sales tax. This exemption also applies to state-collected local taxes and special district taxes where applicable.