South Dakota
Department of Revenue
445 East Capitol Avenue
Pierre, South Dakota 57501 - 3185

Food Stamps and WIC Purchases

March 2011

This fact sheet explains to grocers, those associated with the grocery business and other related businesses how food stamps and WIC sales are treated for sales tax purposes. Since it's impossible to cover every conceivable situation, specific questions may be directed to 1-800-TAX-9188. The state sales tax rate is 4%, municipal tax may also apply.

*****Food purchased with food stamps in South Dakota is exempt from the state sales tax.**

The Food Stamp Exemption

Food stamp vouchers and debit cards are accepted like cash at most stores that sell food and may only be used for food and for plants and seeds to grow food for home consumption.

Food stamps ***cannot*** be used to buy:

- Alcoholic beverages
- Tobacco or cigarettes
- Household supplies, soaps and paper products
- Medicines or vitamins
- Any other nonfood items
- Food that will be eaten in the store
- Hot foods that are ready to eat such as barbecued chicken
- Pet foods

Discount Coupons

Food discount coupons, whether issued by national manufacturers or individual stores are frequently used by shoppers in making food purchases. Manufacturers' coupons are sales taxable; i.e. the dollar amount of the discount (not its minor cash equivalency value) is taxed. Store coupons which allow a true cash discount are not taxed.

Both types of coupons are solely an adjustment of the sales price and outside of the food stamp sales tax exemption.

Example
A food stamp recipient purchases $11 worth of eligible food, has $1 worth of manufacturer's discount coupons, and $10 in food stamps. Since the sales tax is imposed on the dollar amount of the coupon (and the sales tax is 5%), the recipient would pay $10.05 and would therefore have to supplement the food stamps with 5-cents in cash. If the amount is a store discount and not taxed, the recipient pays $10.

Returnable Containers

Food stamps can and should be accepted to cover the entire cost of items, such as drinks in returnable bottles, where the price includes a specific bottle deposit.

The WIC Program

The Special Supplemental Food Program for Women, Infants and Children (WIC) is a federally funded nutrition program for pregnant, postpartum, and breastfeeding women; infants; and children under the age of five. To be eligible, a client must meet certain specific financial requirements and be at "nutritional risk" as determined by qualified health professionals.

WIC's purpose is to supplement the participant's diet with specific nutritious foods during periods of critical growth and development and to provide on-going nutrition education.

The Retailer's Role in WIC

WIC participants receive "food vouchers" to exchange for foods at approved retail grocers. The food voucher has a prescription for specific kinds and amounts of food listed on the front. The retail clerk helps fill the prescription by making sure the participant receives exactly what is prescribed. Since the WIC "food prescriptions" can only provide nutritional help if the correct foods are purchased, the retailer must ensure that participants receive only the correct type and quantity of food prescribed.

Recordkeeping Requirements

Records such as purchase and sales invoices, bills of lading, books of all receipts and sales, cash register receipts, and other pertinent papers and documents are required to be kept for at least three years and be available for inspection during business hours. Also, sales made to exempt organizations must be documented by maintaining the exemption certificate presented at the time of purchase. Other exempt sales should be documented in the normal books of account.

Talk to Us!

If you have a tax problem or question, call the South Dakota Department of Revenue toll-free at 1-800-TAX-9188. Visit us on the web at www.state.sd.us/drr, email us at bustax@state.sd.us or write us:

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