



Caterers and Catering Services

Introduction

In general, a caterer's charges for food, beverages, and any services provided for a customer's event are subject to sales tax.

This bulletin will explain:

- who is a caterer,
- how sales tax applies to sales by a caterer, and
- how sales tax applies to purchases by a caterer.

Who is a caterer

A *caterer* provides prepared food, beverages, and various other services for events. Catering events may take place at:

- the caterer's banquet facility,
- a hotel or restaurant, or
- a customer's home or other location.

Party planners and event coordinators who plan weddings and similar functions are also caterers when they arrange for and bill for food, beverages, and other services at an event. Churches, temples, synagogues, American Legion or VFW posts, fraternal organizations, community centers, and other organizations are also caterers when they make sales of food, beverages, and various other services for events.

Sales by caterers

In general, all charges by caterers related to a customer's event are taxable. Any expenses incurred by the caterer for an event that are included in the overall charge to the customer are also taxable. This is true even if the charges are separately listed on the customer's bill or invoice.

Food and beverages

The sale of food and beverages (both alcoholic and nonalcoholic beverages) that have been prepared or are served by caterers is taxable. This includes everything from butler-served *hors d'oeuvres* and sit-down dinners to breakfast buffets.

However, a caterer may make sales for resale of its services, including food and beverages that have been prepared or will be served by the caterer, provided the caterer receives a properly completed [Form ST-120, Resale Certificate](#), from its customer.

Sales of food or beverages by caterers where the caterer merely delivers the items purchased, without any other services after delivery, are considered to be sales of food or beverages for off-premises consumption and are taxed accordingly. See Tax Bulletin [Sales by Restaurants, Taverns, and Similar Establishments \(TB-ST-806\)](#).

Room rental charges

Hotels and banquet facilities may charge a separate fee for the use of a room to hold a banquet or other catered event. When the catering service is sold by a hotel or a caterer hired by the hotel, the charge for rental of the room is part of the charge for the event and is taxable. It doesn't matter if the room charge is separately stated on the bill to the customer or included in the charge for catering.

When a customer rents a room from a banquet facility but hires a separate caterer to conduct the event, the room rental charge is not taxable.

Gratuities and service charges

Gratuities and tips that a customer leaves **voluntarily** for the wait staff are not taxable.

Mandatory gratuities are different because they are automatically added onto the bill given to the customer. However, a mandatory gratuity is not taxable if **all** of these conditions are met:

- the charge is shown separately on the bill,
- the charge is identified as a *gratuity*, and
- all of the money collected is given to the employees.

If any of these conditions is not met, the mandatory gratuity is taxable along with the rest of the catering bill.

Many caterers bill a service charge on banquets or on parties of more than eight or ten people. Since these charges are not specifically listed as *gratuities* on the bill or invoice, the service charge is always subject to sales tax.

For more details, see [TSB-M-09\(13\)S](#), *Sales Tax on Gratuities and Service Charges*.

Purchases and rentals by caterers

In order to provide its services, a caterer may need to purchase or rent items for an event. Although many purchases or rentals may be based on a specific customer request, the caterer is using the items to provide its catering services and is not reselling the items to its customers. Therefore, a caterer must pay sales tax to its supplier on the purchase or rental of items such as:

- tables
- chairs
- tents
- portable bars or dance floors
- children's games (e.g., inflatable slides, obstacle course, ball ponds, bounces, etc.)
- linens, napkins, chair covers
- silverware, glassware, serving utensils
- audio/visual equipment
- fountains
- ice used to chill food or drinks before serving
- ice carvings
- uniforms for wait staff

A caterer's entire charge to its customer is taxable, even if charges for items like those listed above are separately listed on the bill or invoice. A caterer cannot claim a credit on its sales tax return for the tax paid on these purchases.

Purchases for resale

A caterer may purchase otherwise taxable food and beverage items for resale provided a properly completed [Form ST-120](#), *Resale Certificate*, is given to the seller. The caterer

will collect tax when the items are resold at retail. Examples of food and beverages that can be purchased for resale include:

- alcoholic beverages
- bottled water
- cocktail mixers
- cooked dishes
- deli or sandwich platters (such as cold cuts, subs, or burgers)
- hot coffee
- ice served in drinks
- juices containing less than 70% natural fruit juice
- meals purchased to be resold
- premade sandwiches
- soft drinks
- soups
- subcontracted catering services
- vegetable platters

If a caterer does pay sales tax on a purchase for resale, it may later take a credit on its sales tax return. See Tax Bulletin [Sales Tax Credits \(TB-ST-810\)](#).

Nontaxable food and beverages

Certain food and beverage items, such as produce, seafood, meat, canned goods, and similar food items, are not taxable. No exemption certificate is needed to make these purchases without paying sales tax. Other nontaxable food and beverages include:

- fruit juices that contain 70% or more natural fruit juice
- bar accompaniments like olives, cherries, lemons, limes, etc.
- pastries
- wedding cakes
- desserts

See Tax Bulletin [Food and Food Products Sold by Food Stores and Similar Establishments \(TB-ST-283\)](#) for a discussion of what food products are exempt from sales tax.

Flowers

When a caterer purchases flowers for an event, it can use [Form ST-120, Resale Certificate](#), to purchase the flowers without paying sales tax and later collect the sales tax from its customer, as long as all of the following conditions are met:

- the customer must have the choice to deal directly with the florist or to not purchase any flowers at all;
- the customer must have complete control over the selection and arrangement of the flowers;
- the customer or the customer's guests must have the right to take the flowers with them;
- the caterer must keep records showing the customers, florists, and flowers purchased for resale;
- the caterer cannot use one customer's flowers for another customer's event; and
- the caterer must collect sales tax from the customer on its entire charge.

Kitchen and serving equipment and supplies

Kitchen equipment and supplies that are used to prepare, cook, and serve food and beverages are taxable when purchased, leased, or rented by a caterer. Equipment and supplies include:

- ovens (standard, convection, microwave)
- stoves
- portable coolers or hot boxes
- mixers
- coffee pots
- glasses
- plates
- portable refrigerators
- grills
- fryers
- prep tables
- silverware
- hot plates
- stemware
- chafing dishes
- generators

Services

Often caterers are responsible for extra services in addition to the provision of food and beverages. A caterer's employees may provide these services or it may hire a third-party vendor.

When a caterer purchases a taxable service, it must pay tax to the service provider. Taxable services include:

- decorating and design services
- parking services
- security services
- portable toilets (i.e., waste-removal services)

The caterer must charge and collect sales tax from its customer when including expenses for taxable services in its bill, even if charges for these expenses are separately stated. A caterer cannot claim a credit on its sales tax return for the tax paid on these purchases.

A caterer may also purchase nontaxable services for an event. Nontaxable services include the hiring of:

- a band or disc jockey
- bartenders
- photographers
- wait staff
- staff to perform valet parking service¹

Again, the caterer must charge and collect sales tax from its customer when including expenses for nontaxable services in its bill.

Comprehensive example

Facts

- *A caterer enters into a contract to cater an outdoor party at a private home. The caterer will make all of the arrangements for the customer and will provide:*
 - *a tent, tables, and chairs;*
 - *linens, silverware, chinaware, glassware, and napkins;*
 - *a portable dance floor and portable bars;*
 - *floral arrangements;*
 - *a band;*
 - *food, alcoholic beverages, and soft drinks;*
 - *wait staff; and*
 - *valet service.*
- *The contract states there is a \$1.00 per slice cake-cutting service and that an automatic **service charge** of 18% will be added to the total bill.*

¹ *Valet parking service* is the service of having staff available to park guests' cars. It does not include any separate charge that may be made for parking.

Analysis

- *The caterer must pay tax on any rental or purchase of:*
 - *the tent, tables, and chairs;*
 - *linens, silverware, chinaware, glassware, and napkins; and*
 - *the portable dance floor and portable bars.*
- *The caterer doesn't have to pay tax on the amounts it pays for the band or the valet service.*
- *Any amounts the caterer pays to hire temporary help to work as cooks, bartenders, or wait staff are not taxable.*
- *Any purchases of food that will be prepared and served will be taxed in the same way as food sold at a grocery store. (See Tax Bulletin [Food and Food Products Sold by Markets and Similar Places \(TB-ST-283\)](#).)*
- *When the caterer purchases taxable items for resale, the caterer can use [Form ST-120](#), Resale Certificate, to buy these items without paying sales tax.*
- *For purposes of this example, it is assumed that the customer chooses the floral arrangements to be used, that the floral arrangements will later be given away to the guests, and that the other rules regarding the purchase of flowers for resale have been met. The caterer can use [Form ST-120](#), Resale Certificate, to purchase the flowers for resale.*
- *The entire bill from the caterer to the customer will be subject to sales tax, including the charges for the band, temporary help, cake-cutting service, and the 18% service charge, whether or not those charges are separately stated.*

Note: A Tax Bulletin is an informational document designed to provide general guidance in simplified language on a topic of interest to taxpayers. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the Tax Law or its interpretation may affect the accuracy of a Tax Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.

References and other useful information

Tax Law: Section 1105(d)

Regulations: Section 527.8

Memoranda:

[TSB-M-09\(13\)S](#), *Sales Tax on Gratuities and Service Charges*

[TSB-M-10\(3\)S](#), *Sales Tax Information Related to Audio/Visual Equipment Used by Hotels, Restaurants, Taverns, Banquet Houses, Caterers, and Similar Establishments*

[TSB-M-18\(1\)S](#), *Summary of Sales and Use Tax Changes Enacted in the 2018-2019 Budget Bill*

Bulletins:

[Food and Food Products Sold by Food Stores and Similar Establishments \(TB-ST-283\)](#)

[Sales by Restaurants, Taverns, and Similar Establishments \(TB-ST-806\)](#)

[Sales Tax Credits \(TB-ST-810\)](#)