



City of Madisonville

Guide to Sales for Restaurant Tax

Introduction

This guide contains general information about the Madisonville, KY restaurant tax on prepared meals. It describes what types of transactions are taxable and what a vendor must do to comply with the ordinance.

Definitions

Meal: A meal is any food and/or non-alcoholic beverage that has been prepared for human consumption and provided by a restaurant as defined in the ordinance. A meal includes food and beverages sold on a "take out" or "to go" basis, whether or not they are packaged or wrapped, and whether or not they are taken from or consumed on the premises of the restaurant.

Restaurant: A restaurant is an establishment that is primarily engaged in the business of selling meals and/or non-alcoholic beverages for which a charge is made. Such establishments include but are not limited to:

- Restaurants
- Cafes
- Cafeterias
- Delicatessens
- Convenience Stores
- Catering businesses
- Cocktail lounges and bars
- Coffee shops
- Diners
- Dining rooms, including hotel and motel dining rooms

- Keeping complete, detailed and accurate records of gross receipts from all sales for four years, whether taxable or not.
- Vendors will receive a non-refundable credit for the restaurant tax they remitted on their net profit license return

Are the responsibilities of out-of-state/ out-of-city vendors the same as those of in-state/ in-city vendors?

Yes. Out-of-state vendors who sell meals in Madisonville generally have the same responsibilities as Madisonville vendors.

How does a vendor register to collect the restaurant tax?

Vendors must speak to the Director of Finance, Cory Alexander or Laura Faulk in regards to registering the business.

How does a vendor collect and remit the restaurant tax on meals?

Vendors must add a 3 percent restaurant tax to the selling price of every taxable transaction and collect it from the purchaser. The tax must be separately stated and separately charged on all invoices, bills, displays or contracts. You must complete and remit the appropriate restaurant tax return(s) to the Department, with payment in full, on or before the due date.

How do meals tax vendors report taxable transactions of alcoholic and non-alcoholic beverages?

Alcohol sales are not subject to the restaurant tax.

Taxable Items

What restaurant sales are taxable?

Generally, the restaurant tax is imposed on the sale by a restaurant, or any part of a store that is considered to be a restaurant, of any food or non-alcoholic beverage that is prepared for human consumption in such a manner that it does not need any significant additional preparation or cooking to make it edible.

Example: If a restaurant serves a patron a lasagna dinner, then the dinner is taxable.

However, if the restaurant also sells frozen lasagna dinners that patrons heat in their own homes, these dinners are not considered meals and therefore are not taxable because they require additional preparation.

Example: If a patron purchases a pizza and fountain soda from a restaurant, then both the pizza and sodas are taxable.

price paid by the retail customer for the meals (excluding separately stated delivery charges and tips) and remit the tax to the City of Madisonville.

What store sales are subject to the sales tax on meals?

Sales of food and beverages by the stores previously listed are subject to the restaurant tax if the items are sold in a manner that constitutes a meal. The following items sold in stores are taxable:

Beverages: Poured beverages, such as a cup of coffee or a fountain soda.

Hot foods: Any heated prepared food item.

Entrees: Single-portion-size entrees - such as lasagna, eggplant parmesan or quiche - prepared for immediate consumption, if heated. Refrigerated items are also taxable if the store provides heating units (typically microwave ovens) in which customers may heat the entrees. Such entrees are taxable, whether they are prepackaged or not. Entrees sold frozen are not taxable.

Combination plates: Prepared foods sold as a unit in a manner reasonably and commonly considered a meal, heated or not.

Quick meals: Quick meals prepared for immediate consumption such as hot dogs, hamburgers, pizza slices or soup, if heated. These items are also taxable when refrigerated if the store provides heating units (typically microwave ovens) in which customers may heat the quick meal. Quick meals sold frozen are not taxable. The sale of sandwiches is taxable whether prepackaged or heated.

Catered Meals: Catered meals prepared or consumed in the City of Madisonville are subject to the restaurant tax.

What other types of items are included in the taxable sales price of a meal?

Generally, the restaurant tax imposed on a meal is based on the sales price of that meal.

Discounted meals: If a vendor offers customers, upon presentation of a coupon, a discount from the usual price of a meal, the sales price subject to tax is the actual amount the vendor charges the customer net of any coupon or discount.

Tax-Exempt Items

Are certain restaurant sales tax-exempt?

Yes. Certain food and beverages are not considered meals when sold by a restaurant for off-premises consumption, and their sales are not subject to the restaurant tax. These include:

- Beverages sold in unopened original containers unless served as an direct part of meal
- A loaf of bread;

Sales of meals by health and day care facilities: Sales of meals prepared by employees and served in a hospital, nursing home or licensed or certified residential or day care facility.

Hot lunch program for elderly persons: Sales of government-funded meals served through qualifying school lunch programs to the elderly.

Sales of meals by churches and synagogues: Sales of meals prepared and served on the premises by members of a church or synagogue to its members and guests.

Sales of meals by educational institutions or summer camps: Sales of meals to students by educational institutions or their agents and/or sales of meals by summer camps for children or developmentally disabled individuals.

Sales of meals by certain care facilities: Sales of meals to residents of healthcare facilities are tax-exempt.

CITY OF MADISONVILLE KENTUCKY

Restaurant Tax Monthly Return

1. Total Taxable Amount (Line 22 of Ky Sales & Use Tax Form)
2. Less: Non-Food and/or Non-Beverage Items
3. Less: Alcohol Sales (Total of Lines 1 & 2 of ABC Return)
4. Adjusted Taxable Amount (Line 1 minus Line 2 & Line 3)
5. Divide Line 4 by 1.03
6. Tax - 3% (.03) of Line 5
7. Penalty (5% Per Month up to 25%)
8. Interest (1.5% Per Month) After Due Date
9. Total Taxes Due Including Interest & Penalty

Make Check Payable & Mail to:
Director of Finance (270) 824-2111
P.O. Box 710
Madisonville KY 42431

I hereby certify that the information and statements contained herein and any schedules or exhibits attached are true and correct.

Signed

Date

Date Received
Check Number
Check Amount
Account Number
For Period Ending
Due On or Before

