

Sales Tax Exemption for Federal Youth Meals

In 2020 alone, the nonprofit organization Youthprise paid

\$250,000 in sales tax

on prepared food purchased for out-of-school time meals and snacks.

That's enough money for an additional



72,470
lunches/suppers

or



119,050
breakfasts

or



263,150
snacks

This unintended consequence of Minnesota's tax laws creates a challenge for sponsors of the federal meals program all across the state.

The Solution?

Create a narrow sales tax exemption for prepared food purchased by nonprofit sponsors of the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (SFSP).

Why are sponsors important?

The benefits of nutrition for learning are well documented, and sharing food can also build community. This is why many afterschool and summer programs want to offer food with their activities. However, small rec centers, libraries, nonprofits, and houses of worship that provide these programs don't have the capacity to administer a complex federal meals program themselves.

Nonprofit sponsors like Youthprise can manage the logistics and details at scale allowing program providers to simply receive the food and serve it to their youth each day. We can also respond to community need. Because of COVID, Youthprise quickly scaled up to serve over 1 million meals in 2020!

What are the benefits for the state?

While the cost of the meals are reimbursed by the federal government, the sales tax is not, so nonprofit sponsors must fundraise to pay the sales tax. With this exemption, that money could instead go to:

- **Increasing the number of meals** served in afterschool and summer learning programs
- **Making important upgrades** to meal service equipment
- **Accelerating expansion** to new sites, especially those in Greater Minnesota.

And importantly, these benefits come with a modest price tag of only \$900,000 in FY22.