



9800 155<sup>th</sup> Street East, Nerstrand MN 55053 ✦ [www.mfma.org](http://www.mfma.org)  
2024 Minnesota Legislative Session

**“Prepared food” sold by cottage food sellers exempt from sales tax.**

**RATIONALE**

Our request is based on 3 points:

1. Baked goods sold by cottage food producers are already exempt from paying sales tax.
2. “Prepared food” (salsas, jams, jellies) sold by fruit & vegetable farmers who are cottage food producers do have to pay sales tax on these items.
3. Our intent is that foods sold by cottage food producers would be taxed similarly to grocery stores. E.g., salsas, jams, jellies are not taxed when sold from a grocery store.

**BACKGROUND**

The definition of “prepared food” is governed by the [Streamlined Sales and Use Tax Agreement](#), of which Minnesota is a part. Under the Agreement, if a state includes or excludes certain products from their sales tax base, that state has to use the definition in the Agreement. So, we cannot exempt certain foods or types of food from the definition of “prepared food.” Minnesota Department of Revenue created a flowchart that explains how “prepared foods” are taxed, referencing the applicable statutes and rules.

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	01/18/24 09:40 am	COUNSEL	NP/TG	SC0855
1.1		A bill for an act		
1.2	relating to taxation; sales and use; providing an exemption for prepared food sold			
1.3	by certain sellers; amending Minnesota Statutes 2022, section 297A.67, by adding			
1.4	a subdivision.			
1.5	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:			
1.6	Section 1. Minnesota Statutes 2022, section 297A.67, is amended by adding a subdivision			
1.7	to read:			
1.8	<u>Subd. 41. <b>Prepared food sold by cottage foods sellers.</b> Prepared food sold by sellers</u>			
1.9	<u>exempt from licensing under section 28A.152, subdivision 1, is exempt.</u>			
1.10	<u><b>EFFECTIVE DATE.</b> This section is effective for sales and purchases made after June</u>			
1.11	<u>30, 2024.</u>			
	Section 1.	1		

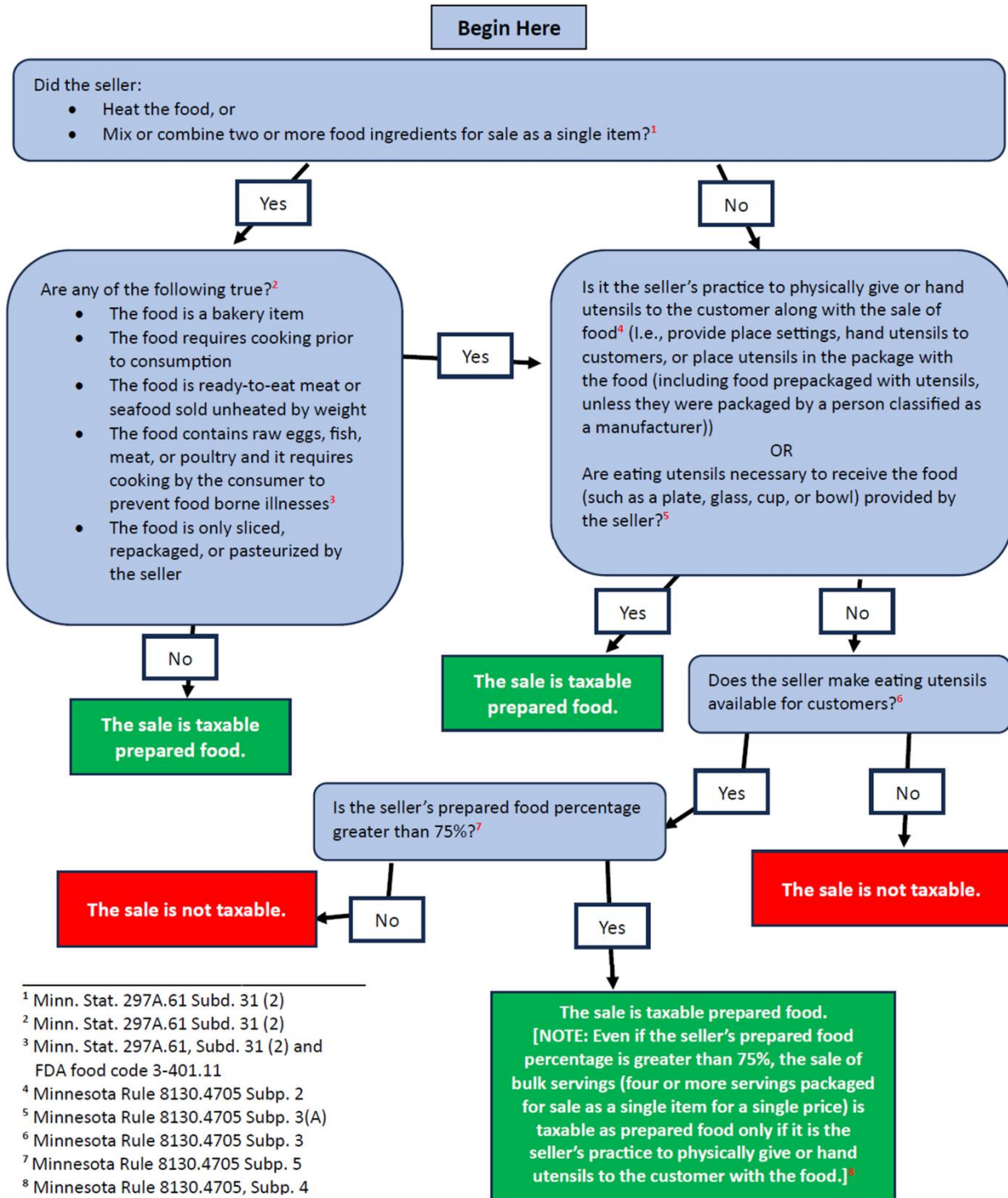
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**MISSION**

MFMA provides services, programs, and leadership that support and promote farmers' markets across Minnesota & Tribal Nations.



<sup>1</sup> Minn. Stat. 297A.61 Subd. 31 (2)

<sup>2</sup> Minn. Stat. 297A.61 Subd. 31 (2)

<sup>3</sup> Minn. Stat. 297A.61, Subd. 31 (2) and FDA food code 3-401.11

<sup>4</sup> Minnesota Rule 8130.4705 Subp. 2

<sup>5</sup> Minnesota Rule 8130.4705 Subp. 3(A)

<sup>6</sup> Minnesota Rule 8130.4705 Subp. 3

<sup>7</sup> Minnesota Rule 8130.4705 Subp. 5

<sup>8</sup> Minnesota Rule 8130.4705, Subp. 4

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