

Sales Tax on Groceries and Income Tax

Overview

Governor Noem has promised that her number one priority for the 2023 legislative session is eliminating the 4.5% state sales tax on groceries. Eliminating the sales tax on groceries is the best way to help families that are feeling the pressures of the rising cost of food at the grocery store. The estimated amount of state taxes being eliminated under this proposal is \$102.4 million in fiscal year 2024 and will not impact local sales tax.

Tax on Groceries:

- 37 states do not have a sales tax on groceries
- 7 states tax groceries at a lower rate
- 6 states, including SD, tax groceries at the regular sales tax rate
 - 3 states have a credit or refund program
 - 3 states tax groceries at the full sales tax rate with no credit or refund program

Income Tax:

- 7 states have no income tax, including 5 states that also don't tax groceries

State Comparison of Grocery Tax and Income Tax

State	Grocery Tax	Income Tax	State	Grocery Tax	Income Tax	State	Grocery Tax	Income Tax	State	Grocery Tax	Income Tax	State	Grocery Tax	Income Tax
AL	Yes	Yes	HI	Yes ²	Yes	MA	No	Yes	NM	No	Yes	SD	Yes	No
AK	No	No	ID	Yes ²	Yes	MI	No	Yes	NY	No	Yes	TN	Yes ¹	No
AZ	No	Yes	IL	Yes ¹	Yes	MN	No	Yes	NC	No	Yes	TX	No	No
AR	Yes ¹	Yes	IN	No	Yes	MS	Yes	Yes	ND	No	Yes	UT	Yes ¹	Yes
CA	No	Yes	IA	No	Yes	MO	Yes ¹	Yes	OH	No	Yes	VT	No	Yes
CO	No	Yes	KS	Yes ¹	Yes	MT	No	Yes	OK	Yes ²	Yes	VA	Yes ¹	Yes
CT	No	Yes	KY	No	Yes	NE	No	Yes	OR	No	Yes	WA	No	Yes**
DE	No	Yes	LA	No	Yes	NV	No	No	PA	No	Yes	WV	No	Yes
FL	No	No	ME	No	Yes	NH	No	Yes*	RI	No	Yes	WI	No	Yes
GA	No	Yes	MD	No	Yes	NJ	No	Yes	SC	No	Yes	WY	No	No

¹ Tax is at a lower rate

² Tax has a credit or rebate program

* Applies to interest and dividends income only

** Applies to capital gains income of high-earners