

Taxing Halloween treats and decor can be tricky



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Repost from Avalara: Dealing with sales tax can be a ghoulish task, especially if you do business in multiple states. The rates and rules vary widely by state and it can be frighteningly difficult to know how to calculate and apply them correctly. Take Halloween, for example. Who doesn't love to dress up in costume, carve pumpkins and indulge in seasonal sweets? But figuring out if and when to apply sales tax to these getups and goodies is far from a treat.

Pumpkins

There's something magical about transforming garden-variety gourds into grinned jack-o'-lanterns. But be aware: not all pumpkins are created equal. In some states like New Jersey, Pennsylvania, and Washington, taxability depends on if your pumpkin is tricked-out or treat-worthy. Pumpkins to be used for decoration (painted, varnished or carved) are taxed while pumpkins used for food (like pie) are tax-exempt. Massachusetts is a little more lenient; the decorating needs to have already happened to tax to apply. Pumpkins sold in their raw state are exempt, even if you carve or paint them after purchase. In Iowa, all pumpkins used to be taxed, head to the pumpkin patch. Pumpkins are exempt only when sold by the person or corporation that planted, cultivated, and harvested them, and the seller must provide proof of origin for buyers to get the exemption.

Costumes

Sales tax holidays aren't just for back to school supplies. In states like Georgia, you can snap up Halloween costumes for the whole family during this tax-free period. But in Texas, the exemption applies only to kids' costumes. In Vermont, costumes are exempt but costume masks and other accessories aren't. In Georgia, both costumes and mask are tax-exempt if sold as a set, however, if sold separately, the mask is taxable but costume apparel is exempt.

International borders are trickier. Import taxes can really carve a chunk out of your costume budget in tariffs and duties. In the 1990s, the US Court of International Trade reclassified imported textile garments- including costumes- as "wearing apparel" (subject to duty) instead of "festive articles" (duty-free), based on a lawsuit brought ironically by a customer company. The amount of the duty varies by article. For example, a multi-piece Santa suit has different tax rates charged on the trousers, jacket, bread, wig, shoes, gloves even the sack-ranging from zero (tax-free) up to as much as 32 percent.

Candy

Handling out candy for Halloween? Don't get tricked into paying more for those treats. Some states, including Washington, North Carolina, Illinois, Colorado, and Connecticut have a lower sales tax rate for items classified as "food" based on having flour as an ingredient. This includes some candy items like Kit Kat and Twix. The flour factor can shows just how nuanced states can get with product taxability and complicated it can be for sellers to get sales tax right. In fact, as an investigation in North Carolina uncovered that retailers were overcharging sales tax on candy that

should have been exempted under this rule.

States sales tax regulations can be tricky and it's no treat trying to figure them out on your own. It's easy to get caught up in the complex web sales tax rules and rates. You know what else is scary? Trying to manage sales tax without dedicated software to do it for you. Ward off the evils of calculating tax and filing returns by automating sales tax in your ERP, e-commerce or billing system with Avalara AvaTax. For the bigger story on better sales tax management, check out [A Tale of Two Accounting Departments](#).