

RAB-88-38

SUWAirline Meals

(Replaced by RAB 91-8)



JAMES J. BLANCHARD, Governor
ROBERT A. BOWMAN, State Treasurer

STATE OF MICHIGAN

DEPARTMENT OF TREASURY

TREASURY BUILDING

LANSING, MICHIGAN 48922

REVENUE ADMINISTRATIVE BULLETIN 1988-38

Approved: June 10, 1988

SALES AND USE TAXES - AIRLINE MEALS

(Replaces Position Paper SUW 84-005)

RAB-88-38. The Michigan Department of Treasury has established the following guidelines for the taxability of airline meals as defined in the General Sales and Use Tax Acts and the General and Specific Sales and Use Tax Rules. These guidelines are effective June 1, 1981.

Definitions

1. **Catered Costs.** The total charge from the caterer, if not itemized or, if itemized, the total charge for food and any service charges necessary or incidental to the meal, such as charge for meal preparation, boarding the food on the plane, etc.
2. **Other Food Costs.** All other purchases of tangible personal property to be consumed on the aircraft, such as coffee, pop, juice, nuts, chips, etc.
3. **Liquor Price.** The selling price of liquor, beer, and wine to the passengers when there is a charge and the cost of liquor, beer, and wine purchased and served to passengers with no charge. (If Michigan tax is paid at the source on liquor, beer, or wine purchases in Michigan, a credit for Michigan tax paid can be deducted from the total tax due.)
4. **Total Food Price.** The sum of the catered costs, other food costs, and liquor price.
5. **Number of Tickets Sold in Michigan.** The total tickets sold when the passenger initially enplanes in Michigan. (Round-trip tickets are counted as two tickets when initially enplaning in Michigan.)

A meal or snack served on an airplane is a taxable retail sale by the airline to its passengers. An airline must obtain a sales tax license and remit tax on the meals that are served.

The sale of the meal or other tangible personal property by the airline is a Michigan sale at the time ticket is sold.

[United Airlines v Treasury, Ingham County Circuit Court, Docket No. 13967-C, Sept. 24, 1972; Undercofler v Eastern Lines Inc., 221 Ga 824, 147 E2d 436 (1966)]



Formulas

To compute the tax due on airline meals, an airline must use one of the following formulas: Formula 1 must be used by an airline that purchases prepared meals: Formula 2 must be used by an airline that prepares the meals itself.

Formula 1:

$$\frac{\text{Total food price for all U.S. routes}}{\text{Total number of tickets sold for all U.S. routes}} = \text{Price per meal}$$

$$\text{Price per meal} \times \text{Number of tickets sold in Michigan} = \text{Tax base}$$

$$\text{Tax base} \times 4\% = \text{Michigan Sales Tax due}$$

Formula 2:

$$\text{Total Michigan food purchases} \times 2.5 \text{ (markup)} = \text{Total Michigan food costs}$$

$$\frac{\text{Total tickets sold in Michigan}}{\text{Total enplanements in Michigan}} = \% \text{ Factor}$$

$$\% \text{ Factor} \times \text{Total Michigan food costs} = \text{Tax base}$$

$$\text{Tax base} \times 4\% = \text{Michigan Sales Tax due}$$