



Tax Information Publication

TIP

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Clarifications to the Prepaid College Meal Plan Exemption Effective July 1, 2015

During the 2015 Special Legislative Session, clarifications were made to the exemption for certain prepaid college meal plans.

To qualify for the exemption, the meal plan must meet each of the following requirements:

- The meal plan must be prepaid. For these purposes, “prepaid” means either purchased in advance of use or purchased using financial aid once disbursed.
- The meal plan must be purchased from the college or other institution of higher learning or from an authorized third-party vendor licensed with the college or institution to provide such meal plans.
- The meal plan must be purchased by, or on behalf of, a student currently enrolled or preparing to enroll at the school. A student taking any number of credit hours will qualify.
- The meal plan must be for a defined quantity of units, such as a number of meals per week, month, year, or term; a set monetary amount; or an unlimited number of meals for a defined number of days.
- The balance of unused units must expire at the end of an academic term. The expiration can be at the end of any academic term, not just the academic term in which they are purchased. Units can rollover from term to term, provided they will eventually expire at the end of an academic term.
- The units cannot be refunded to the student at expiration. Refunds due to withdrawal from school, changing from a school meal plan to a meal plan provided by a sorority or fraternity, or other changes in circumstance do not disqualify a meal plan from the exemption. Refunds at graduation are considered the refund of units at expiration, and would disqualify a meal plan from the exemption.

Flex Dollars and Hybrid Meal Plans

Many colleges offer flex dollars as a meal plan option. These flex dollars are treated like other cash equivalents, which entitle a person to redeem them in the future to receive tangible personal property or services. A common example of a cash equivalent is a gift card. Most gift cards are not taxable upon purchase. Instead, the taxability of the transaction is determined when the gift card is used.

Some colleges have hybrid meal plans, which have both a defined quantity of meals, as described above, and also provide a set amount of flex dollars that can be used at designated dining establishments. These meal plans can be partially or completely eligible for the exemption, depending on the type of plan.

- For hybrid meal plans, the portion of the plan that provides a defined number of meals and otherwise meets the requirements of a prepaid meal plan as described above is exempt from tax, regardless of whether the “flex” dollars qualify.
- The “flex” dollars are cash equivalents and the taxability is generally not determined until use. If the “flex” dollars meet the requirements of a prepaid meal plan as described above, the entire meal plan can be exempt, including the use of “flex” dollars to purchase food or beverages.
- If the “flex” dollars do not meet the requirements of a prepaid meal plan as described above, then the taxability will depend on the taxable nature of the items purchased. Items which are normally exempt under other provisions (e.g., certain groceries or bottles of water) will continue to be exempt, while taxable items (e.g., soft drinks) will continue to be taxable when purchased using “flex” dollars.

References: Section 14, Chapter 2015-221, Laws of Florida; Section 212.08(7)(r), Florida Statutes

For More Information

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

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