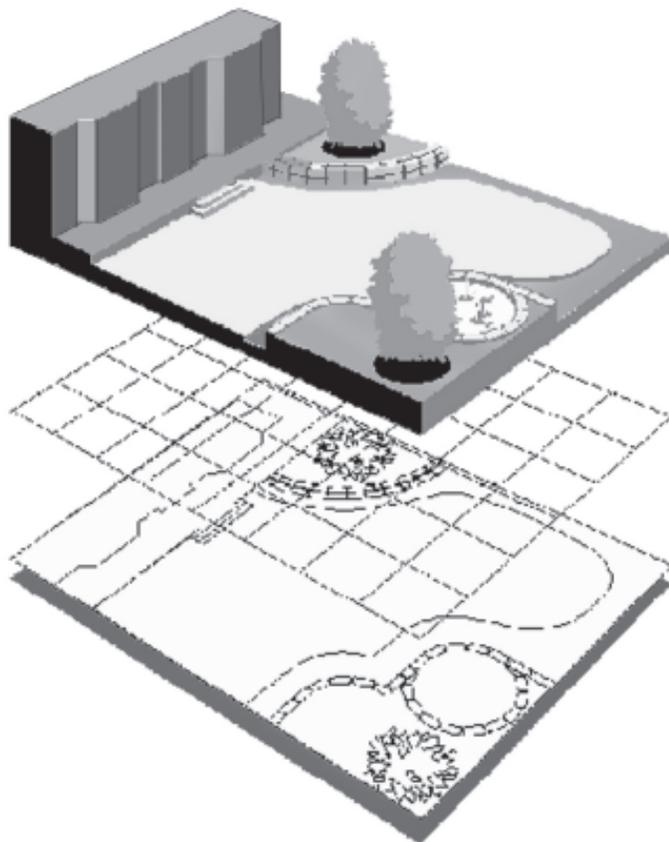


Iowa Tax Rules

Landscaping and Lawn Care



QUESTIONS?

Iowa: 1-800-367-3388 (Iowa, Omaha, Rock Island, Moline)
or 515-281-3114; e-mail idr@iowa.gov

Federal: 1-800-829-1040

Billing Your Customers

The total charge for lawn care services is subject to Iowa sales tax. It does not matter if the bill is itemized or a lump-sum charge.

Reporting and Remitting the Sales Tax

Businesses must remit the sales tax to the Iowa Department of Revenue in the filing period in which the service was performed. For example, if the service was performed in the second quarter (April - June) but the customer paid in July, the second-quarter return must be used to report the sale and remit the tax due. You cannot wait and use the third-quarter return.

New construction

If you have jobs on new construction sites, be sure to contact Iowa Taxpayer Services. Applying sales tax in these situations can be complicated. Tax specialists can assist you in charging sales tax correctly.

Sometimes a landscaper is a construction contractor...

When providing both labor and materials to erect a structure, the landscaper is considered to be a construction contractor for that portion of the job. Structures include such items as retaining walls, lawn lighting systems, lawn irrigation systems, pools, walks, and any other permanently-attached item to realty or real estate. The landscaper is the consumer by statute of any construction materials used to build a structure. In the role of a construction contractor, landscapers must pay sales taxes and local option taxes, if any, on all construction materials to their suppliers.

Construction materials should not be confused with landscape materials. Landscape materials include sod, seed, dirt, trees, shrubbery, bulbs, sand, woodchips, rock, and other similar items. The landscaper will purchase landscape materials tax exempt and collect tax from the customer.

Following are examples of how to itemize invoices when products have been purchased for resale. Note that the invoice must show the amount and the cost and the type of product.

LAWN CARE IOWA		INVOICE		
Box 26070 Van Meter, Iowa 50261-0260 PH: 515-555-2261	Des Moines PH: 515-555-4008 Sioux City PH: 712-555-7614 Waterloo PH: 319-555-2020			
Mrs. IMA Customer Elm Street Adel, IA 54321	INVOICE NO. 743738 CUSTOMER NO. 6-44137 X-1-94			
DATE: 07-17-09	TIME: 10 am	APPLICATOR: Joe Worker		
PLEASE RETURN THIS PORTION WITH PAYMENT				
Charge:	\$ 50.00	AMOUNT DUE		
6% Sales Tax:	\$ 3.00	\$53.00		
DUE UPON RECEIPT OF INVOICE				
<small>TERMS: Accounts that are not paid in 30 days will have a FINANCE CHARGE of 1 1/2 % per month on the unpaid balance or a minimum of 50c WHICHEVER IS GREATER ADDED TO THE ACCOUNT. This is an annual percentage rate of 18%.</small>				
Charges for Material Applied:		\$ 25.00		
Labor and Equipment Charge:		\$ 25.00		
Materials Applied: Fertilizer, Crabgrass control, Broadleaf weed control				
Amount of Material Applied: 40 Gallons				
DATE PRINTED	ROUTE NUMBER	HOME PHONE	BUS. PHONE	APPLICATION STATUS
07-17-09	26-XR-3712-B-6	555-5486	555-4105	3-2-1-1
TEMP	WIND	BATCH NO.	GALLONS	

LAWN CARE IOWA		INVOICE		
Box 26070 Van Meter, Iowa 50261-0260 PH: 515-555-2261	Des Moines PH: 515-555-4008 Sioux City PH: 712-555-7614 Waterloo PH: 319-555-2020			
URA Customer Main Street Zwingle, IA 54321	INVOICE NO. 743721 CUSTOMER NO. 8-13276 A-2-88			
DATE: 07-17-09	TIME: 8 am	APPLICATOR: Janet Worker		
PLEASE RETURN THIS PORTION WITH PAYMENT				
Charge:	\$300.00	AMOUNT DUE		
6% Sales Tax:	\$ 18.00	\$321.00		
1% Regular Local Option	\$ 3.00			
DUE UPON RECEIPT OF INVOICE				
<small>TERMS: Accounts that are not paid in 30 days will have a FINANCE CHARGE of 1 1/2 % per month on the unpaid balance or a minimum of 50c WHICHEVER IS GREATER ADDED TO THE ACCOUNT. This is an annual percentage rate of 18%.</small>				
Labor Charge:		\$100.00		
Chemicals - 31 LBS:		\$ 60.00		
Fertilizer - 51 LBS		\$100.00		
Materials Applied to Lawn - 4 Bushels		\$ 40.00		
DATE PRINTED	ROUTE NUMBER	HOME PHONE	BUS. PHONE	APPLICATION STATUS
07-17-09	26-XR-3712-B-6	555-5486	555-4105	3-2-1-1
TEMP	WIND	BATCH NO.	GALLONS	

Paying Tax to Your Supplier

You are not required to purchase products for resale as previously explained. You may pay sales tax to your supplier. If you do this, you must still charge your customer sales tax on the entire amount.

Following are examples of invoices that do not itemize the chemicals, fertilizer, etc., that were used. Although tax was paid on those items at time of purchase, tax must be collected on the entire bill.

LAWN CARE IOWA		INVOICE		
Box 26070 Van Meter, Iowa 50261-0260 PH: 515-555-2261		Des Moines PH: 515-555-4008 Sioux City PH: 712-555-7614 Waterloo PH: 319-555-2020		
Mrs. IMA Customer Elm Street Adel, IA 54321		INVOICE NO. 743738 CUSTOMER NO. 6-44137 X-1-94		
DATE:	TIME:	APPLICATOR:		
07-17-09	10 am	Joe Worker		
PLEASE RETURN THIS PORTION WITH PAYMENT				
Charge:	\$ 50.00	AMOUNT DUE		
6% Sales Tax:	\$ 3.00	\$53.00		
DUE UPON RECEIPT OF INVOICE				
Accounts that are not paid in 30 days will have a FINANCE CHARGE of 1 1/2 % per month on the unpaid balance or a minimum of 50¢ WHICH EVER IS GREATER ADDED TO THE ACCOUNT. This is an annual percentage rate of 18%.				
DATE PRINTED	ROUTE NUMBER	HOME PHONE	BUS. PHONE	APPLICATION STATUS
07-17-09	26-XR-3712-B-6	555-5486	555-4105	3-2-1-1
TEMP	WIND	BATCH NO.	GALLONS	

LAWN CARE IOWA		INVOICE		
Box 26070 Van Meter, Iowa 50261-0260 PH: 515-555-2261		Des Moines PH: 515-555-4008 Sioux City PH: 712-555-7614 Waterloo PH: 319-555-2020		
URA Customer Main Street Zwingle, IA 54321		INVOICE NO. 743721 CUSTOMER NO. 8-13276 A-2-88		
DATE:	TIME:	APPLICATOR:		
07-17-09	8 am	Janet Worker		
PLEASE RETURN THIS PORTION WITH PAYMENT				
Charge:	\$300.00	AMOUNT DUE		
6% Sales Tax:	\$ 18.00	\$321.00		
1% Regular Local Option	\$ 3.00			
DUE UPON RECEIPT OF INVOICE				
Accounts that are not paid in 30 days will have a FINANCE CHARGE of 1 1/2 % per month on the unpaid balance or a minimum of 50¢ WHICH EVER IS GREATER ADDED TO THE ACCOUNT. This is an annual percentage rate of 18%.				
DATE PRINTED	ROUTE NUMBER	HOME PHONE	BUS. PHONE	APPLICATION STATUS
07-17-09	26-XR-3712-B-6	555-5486	555-4105	3-2-1-1
TEMP	WIND	BATCH NO.	GALLONS	

Purchasing For Resale

You may purchase products for resale and not pay sales tax to your supplier when three conditions are met.

1. You and your customer must agree that the product is being sold separately from the service, and
2. The product must be sold to the customer in a definite form or amount and with a specific price attached, and
3. The cost of the product must be itemized on the bill. You must still charge your customer sales tax on the entire amount. When you purchase products for resale, you must give your supplier a valid exemption certificate. These are available from the Iowa Department of Revenue.

Do You Have Employees?

If you have employees, you must withhold federal and state income taxes from their paychecks. This means you must register to become a withholding agent with the Internal Revenue Service and the Iowa Department of Revenue. Call the forms registration numbers listed in this publication to receive application forms. Better yet, obtain the forms online.

Employees who make more than \$200 per week and claim they are exempt from withholding must still complete the W-4.

Forms are available through the state and the federal agencies.

Lawn Care

Persons engaged in the business of “lawn care” are performing a taxable service. “Lawn care” includes but is not limited to the following services: mowing, trimming, watering, fertilizing, reseeding, resodding, and killing of insects, moles, other vermin, weeds, or fungi which may be threatening a lawn. The term “lawn” is commonly defined as an “open space between woods or ground (as around a house or in a garden or park) that is covered with grass and is generally kept mowed” or required to be kept mowed. Based on this general definition, the following are nonexclusive examples of properties which are subject to tax as “lawn care”: cemetery grounds, golf courses, parks, and residential or commercial properties containing one or more buildings or structures. The mowing of grass within a ditch is not the taxable service of lawn care.

Persons who mow lawns are providing a taxable service regardless of their ages; however, a casual sale exemption exists if (1) the owner of the business is the only person performing the services; (2) the owner of the business is a full-time student; and (3) total gross receipts from the services do not exceed \$5,000 for a calendar year.

[References: Iowa administrative rule 701-26.61; Iowa Code section 423.3(39)]

Landscaping

The service of “landscaping” is subject to tax. The services performed by one who arranges and modifies the natural condition of a given parcel or tract of land so as to render the land suitable for public or private use or enjoyment is engaged in the business of “landscaping.” Any services for which registration is required as a “landscape architect” under Iowa Code section 544B.2 are not subject to tax on the service of “landscaping” if performed by a registered landscape architect and separately stated and separately billed on a charge for landscape architecture. The gross receipts from landscaping performed on or in connection with new construction, reconstruction, alteration, expansion, or remodeling of a building or structure is not subject to tax.

[References: Iowa administrative rules 701-26.62 & 701—19.13]

Landscaping Materials

The gross receipts from the sale of sod, dirt, trees, shrubbery, bulbs, sand, rock, woodchips, and other similar landscaping materials, when used for landscaping and sold to final consumers, are subject to sales tax. For the purpose of this rule, “final consumer” ordinarily means the owner of the land to which the landscaping materials are applied, or a general building contractor when the landscaping contractor contracts with the general building contractor. When a landscaping contractor uses materials to fulfill a contract, the landscape contractor is considered the retailer of the landscaping materials and is obligated to collect sales tax on the selling price from the final consumer.

When the retailer of sod, dirt, trees, shrubbery, bulbs, sand, rock, woodchips, and other similar landscaping materials installs these items as a part of a contract for landscaping or improving land for a lump sum, the entire gross receipts are subject to tax. Any retailer’s charges for “landscaping” are taxable. However, a retailer’s charges for nontaxable services are not taxable if contracted for separately; or, if no written contract exists, the charges are itemized separately on the invoice.

Example: A sodding contractor agrees to furnish and install 20 yards of sod for the lump sum of \$20.00 per yard. The sodding contractor must charge the customer sales tax on \$400.00.

Example: XYZ Company enters into a contract for the landscaping of an existing office building. XYZ Company agrees to furnish shrubs at \$25.00 each, white rock for \$5.00 per bag and woodchips for \$4.00 per bag. XYZ Company also contracts to install all of the landscaping materials for a fee of \$25.00 per hour. XYZ Company’s hourly fee is taxable if paid for the service of “landscaping” or for some other taxable service, for example, excavation. If the service is not taxable, the charge is excluded from tax because it was separately contracted for.

The gross receipts from the sale of uncut sod and unexcavated trees, shrubs, and rock are not subject to sales or use tax. This is considered a sale of intangible property and not the sale of tangible personal property.

[Reference: Iowa administrative rule 701-18.11]