

REVIEW OF STATUTORY SALES AND USE TAX EXEMPTIONS

On July 1, 2004, Streamlined Sales Tax (SST Law) was implemented in Iowa. A new category explaining the changes in the law due to the implementation of SST has been added to this list for your reference. The citations to exemptions listed below have a reference to both the law when enacted prior to July 1, 2004, and the new Iowa Code sections under the SST Law or enacted after 2004.

AGRICULTURE

- Commercial fertilizer and agricultural limestone. 422.42(3)(1937), 423.3(4)(2004)
- Materials including agricultural limestone used to control disease, weeds, or insects or promote the health of plants or livestock for market. 422.42(3) (1957) Redrafted in 1985 to include breeding stock, domesticated fowl, herbicide, pesticide, insecticide, food, and medication. 423.3(5)(2004)
- Fuel consumed in implements of husbandry used for agricultural production. 422.42(3) (1957), 423.3(6)(2004)
- Fuel used in grain drying. 422.42(3)(1969), 423.3(6)(2004)
- Sale or rental of certain farm machinery and equipment, which is a self-propelled implement or attached to it, including replacement parts and grain dryers, (Refund between July 1, 1985, and June 30, 1987, then exempted). 422.45(26)(1985), 423.3(8)(2004)
- Fuel used to provide heating or cooling to livestock buildings. 422.42(3)(1985), 423.3(6)(2004)
- Aerial application services. 422.45(25)(1985), 423.3(7)(2004)
- Agricultural drain tile and the installation thereof. 422.42(3)(1987), 423.3(5)(2004)
- Gas, electricity, water, and heat used in all implements of husbandry engaged in agricultural production. 422.45(34)(1987), 423.3(10)(2004)
- Repairs to implements and the purchase or rental of farm machinery other than self-propelled implements or attachments and replacement parts used in livestock and dairy production. (Refund from July 1, 1987, to July 1, 1988, then it became exempt.) Repair labor lost its exemption on July 1, 1988. 422.47C, 422.45(39)(1987), 423.3(11)(2004)
- Prior to July 1, 2008, replacement parts *essential to* any repair or reconstruction to farm machinery, equipment, or implement used in livestock or dairy production. 422.47C, 422.45(39)(1988), 423.3(11)(2004)
- Effective July 1, 2008, Replacement parts *used in* any repair or reconstruction to farm machinery, equipment, or implement used in livestock or dairy production. 422.47C, 422.45(39)(1988), 423.3(11)(2004), 423.3(8, 11)(2008)
- Sale or rental of irrigation equipment used in farming operations. 422.45(42)(1989), 423.3(12)(2004)
- Laboratory test on animals. 422.43(11)(1991), 423.2(6)(2004)
- Hay, straw, paper, wood chips, sawdust, or other materials used as bedding in the agricultural production of livestock or fowl. 422.45(30)(1992), 423.3(9)(2004)

- Auxiliary attachments to self-propelled implements and implements attached to self-propelled implements which improve the performance, safety, operation, or efficiency of the machinery or equipment. 422.45(26), 422.45(39)(1995), 423.3(8)(2004)
- The production of flowering, ornamental, or vegetable plants in a commercial greenhouse is agricultural production. 422.42(11), 422.45(39)(1995), 423.3(11)(2004)
- Ostriches, rheas, and emus are considered to be livestock and any Iowa sales or use tax exemption applicable to livestock is applicable to them. 4.1(13A)(1995), 423.3(11)(2004)
- Property which is a container, carton, pallet, packing case, wrapping paper, baling wire, twine, bag, bottle, or similar article sold for use in agricultural, livestock or dairy production. 422.45(51)(1996), 423.3(15)(2004)
- Agricultural production includes aquaculture. 422.42(1) and (14), 422.45(39), 422.47(4)(1997), 423.3(11)(2004)
- Adjuvants, surfactants, and like chemicals used in agriculture production. 422.42(14)(1997), 423.3(5)(2005)
- Sale of livestock ear tags by Internal Revenue Code Section 501(c) (3) nonprofit organizations which will use the proceeds for bovine research programs approved by the nonprofit organization. 422.45(57)(2000), 423.3(30)(2004)
- The sale or rental of irrigation equipment to a contractor or farmer, whether installed above or below ground, if the use of the equipment is primarily for agriculture production. 422.45(26A)(2001), 423.3(13)(2004)
- The sales of feed, feed supplements and additives when used for consumption by livestock, which includes farm deer (which includes elk) or bison are exempt. 422.45(16) (2002). The definition of farm deer was expanded to include whitetail and mule deer other than free-ranging whitetail and mule deer. 422.42(4) (2003), 423.3(16)(2004)
- Sales of auger systems, curtains and curtain systems, drip systems, fan and fan systems, shutters, inlets and shutter or inlet systems and refrigerators are to be exempt “farm equipment.” This exemption is retroactive to January 1, 1992. 423.3(11)(2006)

BUSINESS AND MANUFACTURING

- Sales of tangible personal property purchased for resale. 422.42(3)(1934), 423.3(2)(2004)
- Sales of tangible personal property which by means of fabrication, compounding, manufacturing, or germination become an integral part of other tangible personal property ultimately sold at retail. 422.42(3)(1934), 423.3(51)(2004)
- Fuel used to create power or steam to process goods. 422.42(3)(1937), 423.3(50)(2004)
- Fuel used to generate electric current. 422.42(3)(1937), 423.3(50)(2004)
- Fuel used to create heat to process goods. 422.42(3)(1939), 423.3(50)(2004)
- Electricity or steam used in processing tangible personal property. 422.42(3)(1939), 423.3(50)(2004)
- Chemicals, solvents, sorbents, or reagents used, consumed, dissipated, or depleted when used in processing. 422.42(3)(1963), 423.3(51)(2004)
- Taxable services performed for an employer by an employee. 422.42(13)(1967), 423.1(50)(2004)
- Resale of taxable services. 422.42(3)(1969), 423.3(2)(2004)

- Resale of tangible personal property in connection with a taxable service. 422.42(3)(1969), 423.3(2)(2004)
- Taxable services when purchased and used in the processing of tangible personal property. 422.42(3)(1969), 423.3(50) and (51)(2004)
- Services performed on property delivered into interstate commerce. 422.42(16)(1969), 423.3(3)(2004)
- Services performed on or in connection with new construction, reconstruction, alteration, expansion or remodeling of a building or structure. 422.43(1969), 423.3(37)(2004)
- Advertising materials which are purchased outside Iowa, delivered into Iowa, and later shipped into interstate commerce. (Use tax only.) 423.4(5)(1969), 423.6(7)(2004)
- Tangible property, parts, and materials used as railroad rolling stock. 422.45(10)(1971), 423.3(71)(2004)
- Purchase of property to be used in the production of vehicles which are leased outside Iowa. Exemption is retroactive to 1973. 423.4(8) (1978), 423.6(9)(2004)
- All services of storage except storage of new agricultural products. 422.43(1978), 423.2(6)(2004)
- Tangible personal property purchased and used for leasing if certain conditions are met. Repealed with Streamlined Sales Tax on July 1, 2004. 422.45(18)(1978)
- Envelopes used for advertising. 422.45(9)(1979), 423.3(55)(2004)
- Containers, labels, cartons, and materials used for packaging products to be sold at retail. 422.45(19)(1979), 423.3(15)(2004)
- Chemicals used in the production of free newspapers. 422.42(3)(1980), 423.3(51)(2004)
- Services used in processing, repairing or reconditioning tangible personal property normally sold in a retailers regular course of business. 422.42(13)(1981), 423.1(51)(2004)
- Services of a private employment agency, where the employee's principal place of employment is outside the state. 422.43(1981), 423.2(6)(2004)
- Traded property used in the remanufacturing of a like item. 422.42(6), 423.1(3)(1983), 423.3(59)(2004)
- Plates, engraving, typesetting, light sensitive emulsions, and like products sold by trade shops to printers. Retroactive to July 1, 1971. 422.45(21)(1983), 423.3(46)(2004)
- Processing exemption extended to services of vulcanizing, recapping, or retreading, printing, binding, engraving, photography, or retouching, services. 422.43(4), 422.43(5), 423.1(4)(1984), 423.2(1)(2004)
- Sale or rental of industrial machinery, equipment, certain computers, and replacement parts, and pollution control equipment. Refund July 1, 1985, to July 1, 1987, then exempted. Also applies to computers for insurance companies, financial institutions, and commercial enterprises. 422.45(27)(1985), 423.3(47)(2004)
- Design and installation of new industrial machinery and equipment including electrical and electronic installation. 422.45(28)(1985), 423.3(48)(2004)
- Expanded processing exemption extended to the food products industry to include sanitation, quality control, packaging, storage and movement within the factory. 422.42(14)(1985), 423.3(49)(2004)

- Restoration of an exemption as it existed prior to July 1, 2004. A food manufacturer's rental or lease of eligible property is exempt from Iowa sales tax. A lessor's purchase of eligible property for rental or lease to a food manufacturer is excluded from the sale for resale exemption and is subject to Iowa sales or use tax at the time of purchase. Retroactive to July 1, 2004. 423.3(2) and (49)(2005)
- Rental of motion picture films, video and audio tapes, discs, photos, copy, scripts for the motion picture and broadcasting industries if rented for subsequent viewing or broadcast. Retroactive to July 1, 1984. 422.45(24)(1985), 423.3(41)(2004)
- Special fuel used in watercraft for commercial purposes on rivers bordering Iowa. 422.45(23)(1985), 423.3(72)(2004)
- Sales of automotive fluids sold to car dealers and retailers performing taxable services. Retroactive to January 1, 1979. 422.45(33)(1986), 423.3(40)(2004)
- Computers purchased by qualifying nonprofit health service corporations. 422.45(27)(1986), 423.3(18)(2004)
- Ships, barges, and waterborne vehicles used in the transportation of property or cargo for hire on rivers bordering Iowa and materials or parts associated with these vehicles. 423.4(13)(1986), 423.6(15)(2004)
- Tangible personal property withdrawn from inventory by a contractor/manufacturer as building material for use in an out-of-state construction project. 422.42(9), 422.42(10)(1987), 423.2(1)(2004)
- Chemicals, containers, and bags used by dry cleaners. 422.42(3), 422.45(19)(1987), 423.3(50)(2004)
- Prizes to be awarded in games of skill, chance, raffles, and bingo. 422.45(35)(1987), 423.3(63)(2004)
- The use of building materials, supplies and equipment by a manufacturer which are purchased out-of-state, brought into Iowa but subsequently used in an out-of-state construction contract. 423.1(10)(1987), 423.2(1)(2004)
- Aircraft used in a scheduled Interstate Federal Aviation Administration certified air carrier operation. 422.45(38)(1988), 423.3(74)(2004)
- Containers and similar items sold to retailers or manufacturers for facilitating transportation of the tangible personal property. 422.45(19)(B)(1988), 423.3(45)(2004)
- Purchase of motion picture films, video and audio tapes, discs and records by persons in the business of leasing, renting, or selling the same. Retroactive to July 1, 1984. 422.45(41)(1989), 423.3(41)(2004)
- Machinery and equipment used in connection with the recycling or reprocessing of waste products. 422.45(27)(1989), 423.3(47)(2004)
- Sales of advertising materials (including paper) to any person in Iowa, if the material is sent outside Iowa and used outside of Iowa. 422.45(45)(1990) (sales tax), 423.3(42)(2004)
- Carbon dioxide used in the manufacturer of marketable food products for human consumption. Retroactive to July 1, 1985. 422.42(3)(1990), 423.3(49)(2004)
- All materials used to manufacture or construct wind energy conversion property. For tax years beginning on or after January 1, 2008, owners of qualified properties are eligible to claim the sales tax exemption in addition to the wind energy production tax credit and the special property valuation. 422.45(48)(1993), 423.3(54)(2004), 476B.4(2009)

- Sale of printing supplies to printers and publishers of more than 115 individually named items used to print a finished product (or used to complete finished packaging materials used to packaged a product) for ultimate sale at retail. 422.45(21)(1995), 423.3(46)(2004)
- Services rendered, furnished, or performed by notification centers as defined in Iowa Code sections 480.3 and 422.45 (49)(1995), 423.3(24)(2004)
- Component parts, repair, or replacement parts and all services used for aircraft performed on aircraft used in a scheduled interstate federal aviation administered certified air carrier operation. 422.45 (38A)(1995), 423.3(76)(2004)
- Residential optional service or warranty contracts regulated under Chapter 523C. 422.43, 423.1(1995), 423.2(1)(2004)
- Computers sold to insurers or insurance agents licensed under Chapter 522. 422.45(27)"a"(1)(2003), 423.3(47)(2004)
- Tangible personal property purchased and used for leasing if the property is leased for more than five months. 422.45(18) (1997) – Repealed July 1, 2004.
- The definition of processing is expanded to include nearly all aspects of manufacturing beginning with the receipt or production of new materials and ending with the manufacturer’s delivery for shipment or transfer of the finished product. Electricity used in the expanded areas of processing is exempt from tax. Replacement parts are not required to be depreciable for income tax to be exempt from tax. 422.45(27)(1997), 423.3(47)(2004)
- Component parts, repair, or replacement parts on aircraft used in unscheduled interstate Federal Aviation administered certified air carrier operations. 422.45(38B)(1998), 423.3(76)(2004)
- Sale of aircraft to an aircraft dealer who rents or leases the aircraft if the aircraft remains in inventory and is for sale at all times. 422.45(38C)(1998), 423.6(22)(2004)
- Licensed massage therapist. 422.43(11)(1998), 423.2(6)(2004)
- Computer software maintenance or support contracts with no separately stated fee for taxable and nontaxable services are taxed on 50 percent of the gross receipts. 422.43(6)(1998), 423.2(1)(2004)
- Subsequent to the extractive process of quarrying or mining certain activities are considered manufacturing. 422.45 (27)(d)(4)(1998), 423.3(47)(2004)
- Sales of argon gas and other similar gases used in the manufacturing process. Retroactive to January 1, 1991. 422.45 (55)(1999), 423.3(52)(2004)
- Sales of building materials, supplies and equipment to not-for profit water districts organized under Chapter 504A for use in the construction of their facilities. Iowa Code section 357A(15)(1999), 423.3(38)(2004)
- Delivery charges for the delivery of electricity or natural gas when the sale of the electricity or natural gas is exempt under Iowa Code chapter 422 or 423. 422.45(2)(a)(2001), 423.3(69)(2004)
- A contractor can purchase building materials from a retailer of such materials exempt from Iowa sales and use tax if the contractor is building a project for a designated exempt entity. To purchase the materials for the project exempt from tax, the contractor must receive an authorization letter and an exemption certificate from the designated exempt entity specifying the project and that the materials will only be used for that project. 422.42(15) and (16)(2002), 423.3(80)(2004)
- The sales, rental or use of core and mold making equipment and sand handling equipment that is directly and primarily used in the mold making process by a foundry is exempt from Iowa sales and use tax. 422.45(64)(2003), 423.3(82)(2004)

- Eligible businesses approved under the High Quality Job Creation, Enterprise Zone, or High Quality Job programs are entitled to refunds of sales tax or use tax, but not local option tax, paid on racks, shelving and conveyor equipment used in a warehouse or distribution center. Eligible businesses under High Quality Job Creation and High Quality Job programs who lease racks, shelving and conveyor equipment from a third-party developer will receive a corporate income tax credit equal to the sales and use paid by the developer. Refund and tax credit certificates available for this type of equipment cannot exceed \$500,000 in a fiscal year. 15.331A, and 15.331 (2009).
- In addition to other exemptions given to foundries, the sales price of core-making, mold-making and sand-handling machinery, including replacement parts is exempt from Iowa sales and use tax. In addition, sales price from sales of fuel used in creating heat, power, or steam or for generating electric current, or from sale of electricity, consumed by core-making, mold-making, and sand-handling machinery and equipment used directly and primarily in the mold-making process by a foundry is exempt from tax. The sales price from furnishing of the design and installation, including electrical and electronic installation of core-making, mold-making and sand-handling machinery and equipment used directly and primarily in the mold-making process by a foundry is exempt. 423.3(82) (2004) (SST Law)
- The leasing or rental of self-propelled building equipment, self-constructed cranes, pile drivers, structural concrete forms, regular and motorized scaffolding, generators, or attachments customarily drawn or attached to self-propelled building equipment, self-constructed cranes, pile drivers, structural concrete forms, regular and motorized scaffolding and generators, including auxiliary attachments which improve the performance, safety, operations or efficiency of the equipment and replacement parts and are directly and primarily used by contractors, subcontractors, and builders for new constructions reconstruction, alterations, expansions or remodeling of real property or structures are exempt from Iowa sales and use tax. 423.3(2) and (27) (2004) (SST Law). These items are subject to a separate excise tax in Chapter 423D.
- The rental of construction equipment is exempt if all the following conditions apply: machinery, equipment, and replacement parts must be directly and primarily used by owners, contractors, subcontractors, and builders for new construction, reconstruction, alteration, expansion, or remodeling of real property or structures and the exemption also applies to property which improves the performance, safety, operation, or efficiency of the machinery, equipment, and replacement parts. The sales price of this machinery, equipment, and replacement parts for subsequent lease or rental continues to be excluded from the sale for resale exemption and thus subject to the tax at the time of purchase. Retroactive to July 1, 2004. 423.3(37)(2005)
- Sales of the following materials which are associated with the installation of agricultural drainage tile are also exempt from tax: tile intakes; outlet pipes and guards; aluminum and gabion structures; water control structures; and miscellaneous tile fittings. Retroactive to January 1, 1998. 423.3(5)(2005)
- Sale or rentals of central office and transmission equipment primarily used in the furnishing of commercial telecommunication service by certain telecommunication companies. This is an exemption that is phased in over a seven-year period beginning on July 1, 2006. 423.3(47A)(2006)
- Sales of solar energy equipment, which is defined as equipment that is primarily used to collect and convert incident solar radiation into thermal, mechanical, or electrical energy or equipment that is primarily used to transform such converted solar energy to a storage point or to a point of use. 423.3(90)(2006)
- Effective July 1, 2007, a business entity whose primary business is to provide a web search portal, the following are exempt: the sale or rental of computers and equipment necessary for the maintenance and operation of the web search portal, including but not limited to: cooling systems;

cooling towers; power infrastructure; racking systems; back-up power generation fuel; and electricity. 423.3(92)(2007)

- Effective July 1, 2008, a business entity *whose business among other business operations* is to provide a web search portal, the following are exempt: the sale or rental of computers and equipment necessary for the maintenance and operation of the web search portal, including but not limited to: cooling systems; cooling towers; power infrastructure; racking systems; back-up power generation fuel; and electricity. *For purposes of claiming this exemption, the requirements may be met by aggregating the various Iowa investments and other requirements of the web search portal business's affiliates.* 423.3(93)(2008)
- Effective July 1, 2009, data center businesses with a physical location in Iowa of at least 5,000 square feet who meet minimum investment and design requirements may purchase the following exempt from the sales tax: the sale or rental of computers, equipment, and property related to computers that are necessary for the maintenance and operation of the business. Backup power generation fuel and electricity for use in the data center business are also exempt from the sales tax. 423.3(95)(2009)

ITEMS OR SERVICES SPECIFICALLY EXEMPTED

- Sale, furnishing, or service of transportation services. 422.45(2)(1937), 423.3(6)(2004)
- Sleeping rooms and other rooms rented for more than 31 consecutive days. 422.43(1965), Repealed July 1, 2006, now under a separate excise tax under Chapter 423A
- Sales of newspapers, free newspapers, or shoppers guides and the printing and publishing thereof. 422.45(9)(1969), 423.3(55)(2004)
- Newsprint and ink used in printing any newspaper, free newspaper, or shoppers guide published in Iowa. 422.42(3) (1969) (Repealed, 1985)
- Motor fuel and special fuel where fuel tax has been paid and not refunded. Includes fuel used in watercraft. 422.45(11)(1973), 423.3(56)(2004)
- Services furnished by specialized airplanes used for aerial agricultural spraying. 422.45(25)(1974), 423.3(7)(2004)
- Food for human consumption. 422.45(12)(1974), 423.3(25) and (57)(2004)
- Prescription drugs. 422.45(13)(1974), 423.3(60)(2004)
- Insulin and diabetic supplies. 422.45(13)(1974), 423.3(60)(2004)
- Sale of prosthetic, orthotic, and orthopedic devices. 422.45(13)(1974), 423.3(60)(2004)
- Medically prescribed oxygen. 422.45(13)(1975), 423.3(60)(2004)
- Rental of prosthetic, orthotic, and orthopedic devices. 422.45(13)(1978), 423.3(60)(2004)
- Sale of draft horses. 422.45(17)(1978), 423.3(14)(2004)
- Service performed on humans by test laboratories. 422.43(1979), 423.2(6)(2004)
- Gross receipts from the sale of gasohol. 422.45(1)(1981), 423.3(56)(2004)
- Mobile homes for which tax has been previously paid. Tax is not due on 40 percent of the purchase price of a new mobile home. 423.4(11), 423.4(12)(1985), 423.6(13)(2004)
- Effective July 1, 2008, mobile homes for which tax has been previously paid. Tax is not due on 80 percent of the purchase price of a new mobile home. 423.4(11), 423.4(12)(1985), 423.6(13)(2004), 423.6(14)(2008)

- Raffle tickets sold at fair-sponsored raffles. 422.45(32)(1986), 423.3(62)(2004)
- Forty percent of the cost of a modular home. 422.45(40)(1988), 423.6(13)(2004)
- Fuel used in aircraft where fuel tax has been paid. 422.45(11)(1988), 423.3(56)(2004)
- The definition of exempt medical devices was expanded to include hypodermic syringes and needles, anesthesia trays, biopsy trays and biopsy needles, cannula systems, catheter trays and invasive catheters, dialyzers, drug infusion devices, fistula sets, hemodialysis devices, insulin infusion devices, interocular lenses, irrigation solutions, intravenous administering solutions and stopcocks, myelogram trays, nebulizers, small vein infusions kits, spinal puncture trays, transfusion sets, venous blood sets. 422.45(13)(1994--retroactive to July 1, 1993), 423.3(60)(2004)
- Sales Tax Holiday: Purchases of items of clothing or footwear designed to be worn on or about the human body are exempt from sales and use tax if, the sale price of an item is less than one hundred dollars and, the sale of the item takes place during the period beginning at 12:01 a.m. on the first Friday in August and ending at midnight on the following Saturday. Sales of “accessories” are not exempt. 422.45(58) (2000). 423.3(68)(2004)
- All gross receipts from charges from online computer services for providing information made available through a computer server are exempt from Iowa sales tax. (effective May 15, 2000) 422.45(56) and 423.1(12A)(2000), 423.3(65)(2004)
- Excludes from the term “sales” and “tangible person property” and therefore taxation, transactions where the substance is delivered to the purchaser digitally, electronically, or utilizing cable, or by radiowaves, microwaves, satellites, or fiber optics. (effective May 15, 2000 retroactive to March 15, 1995) 422.43(15)(2000), 423.3(67)(2004)
- The sale or rental of “information services” is exempted from tax. (May 15, 2000, retroactive to March 15, 1995) 422.45(57)(2000), 423.3(66)(2004)
- The gross receipts from sales or use of tangible personal property or the performance of services used in the fulfillment of a written construction contract with a nonprofit hospital licensed under chapter 135B. (Effective May 19, 2000, retroactive to July 1, 1998)(One-time provision only, not extended by legislation). 422.45(54B)(2000)
- Director is required to abate unpaid sales or use tax owed by a retailer if the retailer’s failure to collect the tax results from erroneous written advice issued to the retailer by the Department concerning the taxability of charges paid for access to online computer services. The erroneous advice must have been issued prior to July, 1999, and must have been directed to the retailer requesting the abatement. (effective May 15, 2000) 421.60(2)"m"(2006)
- All taxable services, including the rental of tangible personal property, the rendering, furnishing or performing of which are exempt from sales tax, are exempt from use tax. Iowa Code section 432.4(2001), 423.6(5)(2004)
- Service fees imposed by a financial institution if the charge is to a non-customer of the financial institution imposed for point of sale, service charge, or access to an automated teller machine. 422.45(64)(2003), 423.3(83)(2004)
- The amount of any trade discount given or allowed by a manufacturer, distributor, or wholesaler to a retailer or by a manufacturer or distributor to a wholesaler and payments made by a manufacturer, distributor, or wholesaler directly to a retailer or by a manufacturer or distributor to a wholesaler to reduce the sales price of the manufacturer’s, distributor’s, or wholesaler’s product or to promote the sale or recognition of the manufacturer’s, distributor’s or wholesaler’s product is not included in the taxable gross receipts or in any taxable sales price if excessive sales tax is not collected from the

purchaser. 422.42(6); and 423.1(47) (effective April 14, 2004, and retroactive to January 1, 1997) (SST Law)(Definition of “sales price”)

MISCELLANEOUS EXEMPTIONS AND PROVISIONS

- Transactions the state is prohibited from taxing by federal law. 422.45(1)(1934), 423.3(1)(2004)
- Casual sales. 422.45(6)(1963), 423.3(39)(2004)
- Discounts. 422.42(6)(1970), 423.1(47)(2004)
- Trade of property including vehicles for equal or less value. 422.42(6), 423.1(3)(1982), 423.1(47)(2004)
- Refund of construction materials used in a project that will become public property or devoted to educational use. 422.45(7) (1983) Retroactive to November 2, 1982, 423.4(1)(2004)
- Commercial amusement enterprises struck from Iowa Code as being a taxable amusement. 422.43(2)(1984), 423.2(3)(2004)
- Casual sale exemption is expanded to taxable services and to the bulk sales of businesses. 422.42(12)(1985), 423.3(39)(2004)
- Use tax on property or taxable services (except vehicles) only if Iowa sales tax has been paid. 423.4(1)(1986), 423.6(1)(2004)
- Food purchased with federal food coupons. 422.45(12A)(1987), 423.3(58)(2004)
- Rental of mobile homes which are tangible personal property. 422.43(7), 422.43(11), 422A.1(1987), 423A(2006)
- Rebates applied to the purchase of vehicles subject to registration. 423.1(3)(a)(1988), 423.6(24)(2004)
- E911 emergency telephone service surcharge. 477B.6(2)(1988), 423.3(69A)(2004)
- Sales of goods and utilities to other states or their political subdivisions if they provide a similar exemption to Iowa and its political subdivisions. 422.45(44)(1990), 423.3(1)(2004)
- Sales of tangible personal property which a seller transfers for shipment to a point outside Iowa. 422.45(46)(1991), 423.3(1)(2004)
- Entry fees paid to participate in any game or form of amusement if there is a taxable admission to the same event. 422.43(1)(1993), 423.2(3)(2004)
- Wine shipped into this state to a person 21 years or older for consumption. There is a limit of eighteen liters per month. 123.178(1996), 423.3(44)(2004)
- The sales price of lottery tickets or shares pursuant to Chapter 99G are exempt. 423.3(81)(2004)
- One-percent phase-out of state sales tax effective January 1, 2002, on the sale of metered electricity, metered natural gas and fuels and heating oils for residential customers. 422.45 (61) (2001). This provision was reinstated July 1, 2004, and was fully phased-out effective January 1, 2006. 423.3(84)(2004) (SST Law)
- A seller is considered exempt from sales tax and is considered to be making casual sales, even though sales are reoccurring if all of the following apply: 1) the seller is performing or selling services taxed under section 423.2, but is not engaged in the business of performing or selling those services for a profit; 2) the owner of the business is the only person performing the services; 3) the

owner of the business is a full-time student: and, 4) total gross receipts from the furnishing or sales of the services do not exceed \$5,000 for a calendar year. 423.3(39)(2006)

- Sales of services performed on a vessel (defined as: a ship, barge, or other waterborne vessel). To be exempt, all of the following must occur: the vessel is a licensed vessel under the laws of the United States coast guard; the service is used to repair or restore a defect in the vessel; the vessel is engaged in interstate commerce and will continue in interstate commerce once the repairs or restoration is completed; and the vessel must be in navigable water that borders a boundary in Iowa. 423.3(86) (2005).
- The sales price from sales of coins, currency, or bullion is exempt from tax. “Bullion” means bars, ingots, or commemorative medallions of gold, silver, platinum, palladium, or a combination of these where the value of the metal depends on its content and not the form. “Coins” or “currency” means a coin or currency made of gold, silver, or other metal or paper which is or has been used as legal tender. 423.3(91)(2006)

ORGANIZATIONS RECEIVING EXEMPTIONS OR BENEFITS FROM EXEMPTIONS

- Sales from educational, religious, or charitable activities where the entire proceeds are spent for educational, religious, or charitable purposes. 422.45(3) (1934). Amended to require the organization claiming exemption to be an IRC 501(c) (3) and also provided a statutory definition for “charitable.” 533.45(3)(2001), 423.3(78)(2004).
- Effective May 26, 2009, and retroactive to July 1, 1998, organizations created for the sole or primary purpose of providing athletic activities to youth are considered to have been created for educational purposes. When the entire proceeds of sales made by the organization are spent for educational purposes, sales made by non-profit youth athletic groups are exempt from the sales tax. 423.3(78)(2009).
- Tax certifying or levying bodies of the state. 422.45(5)(1934), 423.3(31)(2004)
- Refunds of sales tax paid by relief agencies. 422.47(1934), 423.4(3)(2004)
- Refunds of sales tax on construction projects to government agencies. 422.45(7)(1953), 423.4(1)(2004)
- Sales to nonprofit educational institutions used for educational purposes. 422.45(8) (1967). Amended to require that an institution must primarily be an educational institution to qualify for exemption. Iowa Code section 422.45(8)(2001), 423.3(17)(2004)
- Admissions to amusements, fairs, and athletic events of elementary and secondary educational institutions. 422.43(1978), 423.2(3)(2004)
- Purchases by municipal solid waste facilities. 422.45(5)(1978), 423.3(31)(2004)
- Sales by cities and counties except utility services and fees for participation in athletic sports. 422.45(20)(1979), 423.3(32)(2004)
- Sales and rentals to qualifying residential care facilities, intermediate care facilities, rehabilitation facilities which treat the mentally ill and community mental health centers. 422.45(22)(1985), 423.3(18)(2004)
- Sales and rentals to qualifying community health centers and migrant health centers. 422.45(22)(1988), 423.3(18)(2004)
- Items purchased by nonprofit organizations organized for the purpose of lending tangible personal property to the general public. 422.45(36)(1988), 423.3(19)(2004)

- Sales and rentals to nonprofit legal aid organizations. 422.45(37)(1988), 423.3(20)(2004)
- Child foster care residential facilities licensed by the Department of Human Services other than those maintained by individuals. 422.45(22)(1989), 423.3(18)(2004)
- Goods and services sold to regional transit systems. 422.45(5)(1990), 423.3(31)(2004)
- Refund of sales tax on construction projects for nonprofit private museums. 422.45(7)(1990), 423.4(1)(2004)
- Sales of goods and services to nonprofit museums if used for educational, scientific, historical, or aesthetic purposes. 422.45(43)(1990), 423.3(21)(2004)
- Gross receipts from sales or services by the state fair organized under Chapter 173 or a fair society organized under Chapter 174. 422.45(50)(1996), 423.3(23)(2004) and 423.3(35)(2004)
- Sale of food and beverage by nonprofit organizations who promote food or beverage products grown, produced, or raised in Iowa. 422.45(52)(1998), 423.3(25)(2004)
- Sales of tangible personal property or services to nonprofit organ procurement organizations. 422.45(53)(1998), 423.3(26)(2004)
- Sales of good, wares, or merchandise or services rendered, furnished or performed to a nonprofit private art center which will be used in the operation of the art center. Iowa Code section 422.45(2001), 423.3(22)(2004)
- Nonprofit hospitals receive an exemption on all purchases of tangible personal property and services. 422.45(54)(1998), 423.3(27)(2004)
- Sale or rental of tangible personal property or from services performed to free standing nonprofit hospice facilities. 422.45 (54A)(1999), 423.3(28)(2004)
- Sales of tangible personal property by the legislative service agency and its legislative information office of mementos and items relating to Iowa history and historic sites, the General Assembly, and the State Capitol are exempt from Iowa sales and use tax when sold on state property. 423.3(33)(2004)
- Sales by State Historical Department on state owned property. 303.9(2)(1982), 423.3(33)(2004)
- Sale of electricity to water companies which is used solely for pumping water from wells or rivers. 422.45(33A)(1998), 423.3(53)(2004)
- Rural water districts organized under Chapter 504A receive a refund on building supplies and equipment used in the performance of a construction contract. 357A(15)(1998), 423.3(38)(2004)
- Purchases of tangible personal property and enumerated services by a community action agency that is to be used for the purpose of the community action agency are exempt from Iowa sales and use tax. 422.45(63)(2002), 423.3(79)(2004)
- **NOTE:** Sales of goods and taxable services used by or in connection with the operation of any municipally owned public utility engaged in selling services to the general public **ARE** subject to tax. 423.3(31)(a)(2004) (SST Law)
- Sales of toys made to an organization which receives donations for the purchases of the toys. To qualify, the organization must be exempt from federal income tax pursuant to Internal Revenue Code section 501 and the organization must distribute the purchased toys to children at no cost. 423.3(87)(2005)
- Sale of building materials, supplies, and services to a nonprofit Iowa affiliate of a nonprofit international organization whose primary activity is the promotion of the construction and repair of

one-family or two-family dwellings for the use by low income families. The exemption applies only if the building materials and supplies are used in the construction or repair of such dwellings. 423.3(88)(2005)

- The sale of goods, wares, merchandise or services purchased in the fulfillment of a written construction contract for the original construction, additions, or modifications to a building or structure used as part of a “collaborative educational facility.” In addition, the owner of a collaborative educational facility” may apply for a refund of sales or use tax previously paid on such items in the original construction, additions or modifications prior to the effective date of this legislation. Certain provisions retroactive to April 1, 2003. 423.3(85)(2006)
- Sales of tangible personal property and services to a nonprofit corporation which is a certified home and community-based service provider certified to offer Medicaid waiver services by the Iowa Department of Human Services. 423.3(18)(2006)
- Certain tax incentives are provided to businesses that locate or expand within an Enterprise Zone. 15E.181 through 15E.186 (1997)(2004)

VEHICLES

- Purchase of vehicles except those designed for carrying passengers when purchased for lease outside Iowa. Exemption is retroactive to 1973 423.4(7)(1978), 423.3(8)(2004), 321.105A(2008)
- Vehicles subject to registration when title is transferred when a business structure changes. Transfer of the vehicle title must be within 12 months of creation of new business structure and other requirements must be met. 423.4(1990). Effective July 1, 2006, transfer of the vehicle title must be within 24 months of the creation of the new business structure. 423.6(10) (2005),321.105A(2008)
- Vehicles (trailers) operated but not registered under Chapter 326, and used in interstate commerce. 423.4(1990), 423.6(12)(2004), 321.105A(2008)
- Manufacturers of motor vehicles who reimburse purchasers under the lemon law (refund of one-time registration fee). 322G.4(2005), 321.105A(2008)
- Vehicles subject to registration purchased for rental are exempt from the one-time registration fee if actually rented for periods less than 60 days and are subject to the automobile rental tax. 423.4(1992), 423.6(2004), 321.105A(2008)
- Vehicles subject to registration purchased for leasing for one year or more if lease receipts are taxable under Chapter 423.7A. 423.4(16) (1996), 423.27(2004), 321.105A(2008)
- Vehicles that meet the requirement that 25 percent of miles operated all in states other than Iowa for the first four years retain the exemption until the vehicle is sold. 423.4(10)(1998), 423.6(12)(2004), 321.105A(2008)
- The gross receipts from transferring vehicles subject to registration from one corporation to another corporation are exempt from the Iowa one-time registration fee if both of the corporations involved in the transfers are primarily engaged in the business of leasing vehicles subject to registration and both of the corporations are part of the same controlled group for federal income tax purposes. 423.4(9A)(2003), 423.6(11)(2004), 321.105A(2008)
- Motor vehicles rented or leased longer than 60 days. 422.45(2)(1986), 423.2(6)(2004), 321.105A(2008)
- The transfer of a vehicle from a purchaser to a manufacturer pursuant to Iowa Code section 322G (Iowa's lemon law provisions) is not considered a "use" and is therefore exempt from the one-time registration fee on the registration of the vehicle by the manufacturer. 322G.12(2000), 322G(2006)

NOTE: For more detailed information on the One-time Registration Fee and its exemptions, please refer to the Department's UT510 Manual which can be found online at:
<http://www.iowa.gov/tax/educate/78614.pdf>

STREAMLINED SALES TAX (SST) CHANGES FROM PRIOR LAW

House File 683, from the 2003 General Assembly implemented uniform sales and use tax laws in Iowa which was effective July 1, 2004. Chapter 423(2004) The following information highlights the changes based on SST:

FOOD:

Bottled water

Prior to July 1, 2004, the sale of bottled was subject to sales and use tax. Effective July 1, 2004, the sale of bottled water is exempt from Iowa sales and use tax unless the water contains a flavoring or sweetener.

Candy

Prior to July 1, 2004, the sale of candy was subject to Iowa sales and use tax. Effective July 1, 2004, the sale of candy remains taxable unless the candy contains flour. If the candy contains flour, then the sale of the candy is exempt from tax.

Chewing gum

Prior to July 1, 2004, the sale of chewing gum was exempt from Iowa sales and use tax. Effective July 1, 2004, the sale of chewing gum is subject to Iowa sales and use tax.

Soft drinks/fruit and vegetable juice

Prior to July 1, 2004, the sale of these beverages were subject to Iowa sales and use tax unless the beverage contains fruit or vegetable juice with a content of 15% or more. Effective July 1, 2004, the sale of these beverages are subject to Iowa sales and use tax unless the beverage contains more than 50% fruit or vegetable juice.

Vegetable seeds and plants and fruit trees

Prior to July 1, 2004, the sales of these items were exempt from Iowa sales and use tax. Effective July 1, 2004, the sales of these items are taxable, unless the produce from the item is for resale.

DESTINATION SOURCING

Prior to July 1, 2004, the rate of tax imposed upon sales of tangible personal property was the rate applicable to the jurisdiction in which ownership of the tangible personal property transferred from the seller to the buyer (seller's location, purchaser's location, F.O.B terms, docks of the common carrier, etc.). For services, the rate imposed was the rate applicable to the jurisdiction in which services were rendered, furnished or performed.

Effective July 1, 2004, the rate of tax imposed on sales of tangible personal property is the rate applicable to the jurisdiction of the destination of the property. The rate imposed for services is still the rate applicable to the jurisdiction in which the services are rendered, furnished or performed.

RENTAL OR LEASE

Purchases for lease or rental.

Prior to July 1, 2004, tangible personal property that was purchased for lease or rental was subject to tax if the term of the rental was for a period of less than five months.

Effective July 1, 2004, rental or lease of tangible personal property is treated as a sale. As a result, any item purchased for lease or rental will be exempt from sales tax as a purchase for resale. Sellers should obtain an exemption certificate from the purchasers.

Taxation of leased or rented property.

Prior to July 1, 2004, Iowa imposed Iowa sales tax on all lease or rental payments for the term of the lease or rental agreement even if the property is removed from Iowa. Iowa local option taxes were imposed based on the location in which the agreement is entered into. Iowa use tax was imposed on property entering Iowa even if it was leased or rented outside of Iowa. In some instances, a credit for tax paid to another state was given. Effective July 1, 2004, sales tax and local option taxes on leased or rented property (other than vehicles subject to registration) is imposed in the jurisdiction where the property is located. If the property is moved to another jurisdiction, the rate of tax may change and the source of taxation may change, too. If property is moved outside of Iowa, there is no Iowa tax on the rental receipts.