

**Iowa  
sales/use  
tax on  
services**

**Iowa Department of  
Revenue and Finance**

At the time of a taxable purchase, Iowa state sales/use tax is collected by the retailer from the buyer. Unlike tangible personal property, which is subject to sales/use tax unless specifically exempted by Iowa law, services are subject to sales/use tax only when specified by Iowa law. Iowa sales tax is due when the taxable service is rendered, furnished or performed.

The Iowa use tax complements the Iowa state sales tax. Generally, when a taxable service is purchased or obtained outside of Iowa for use in Iowa, it is subject to Iowa use tax.

## TAXABLE SERVICES

aircraft lease or rental, 60 days or less  
alteration and garment repair  
armored car services  
bank and financial institution service charges  
barber and beauty services  
battery, tire, and allied services  
boat repair  
cable/pay television fees  
camera repair  
campgrounds  
carpentry  
carpet and upholstery cleaning and repair  
dance school and dance studio  
dating services  
dry cleaning, pressing, dyeing and laundering  
electrical and electronic repair and installation  
equipment and tangible personal property rental  
excavating and grading  
farm implement repair of all kinds  
flying service  
furniture repair and cleaning  
fur storage and repair  
garbage collection and disposal, nonresidential  
    commercial only  
golf and country clubs and all commercial recreation  
    fees, dues and charges  
gun repair  
house/building moving  
household appliance, television and radio repair  
investment counseling  
janitorial and building maintenance or cleaning  
jewelry and watch repair  
landscaping, lawn care, and tree trimming and removal  
licensed executive search agencies  
limousine, including driver

machine operator fees  
machine repair of all kinds  
mini-storage  
motor repair  
motor vehicle, recreational vehicle and recreational  
boat rental  
motorcycle, scooter and bicycle repair  
oilers and lubricators on vehicles and machines  
office and business machine repair  
painting, papering and interior decorating  
parking facilities  
pet grooming  
pipe fitting and plumbing  
private employment agencies and executive search  
agencies, excluding employment services that place  
a person outside of the state  
reflexology  
rental of tangible personal property  
roof, shingle and glass repair  
security and detective services  
sewage services, nonresidential commercial only  
sewing and stitching  
shoe repair and shoeshine  
sign construction and installation  
storage warehouse or lockers of raw agricultural  
products  
storage of household goods  
swimming pool cleaning and maintenance  
tanning beds or tanning salons  
taxidermy  
telephone answering service  
test laboratories, except tests on humans and animals  
termite, bug, roach and pest eradicators  
tin and sheet metal repair  
tree trimming and removal  
turkish baths, massage and reducing salons  
vehicle repair  
vehicle wash and wax  
water conditioning and softening  
weighing  
welding  
well drilling  
wood preparation  
wrapping, packing and packaging of merchandise other  
than processed meat, fish, fowl and vegetables  
wrecking service  
wrecker and towing

NOTE: The following are considered sales of tangible personal property and are taxable: engraving, photography, retouching, printing and binding; vulcanizing, recapping and retreading tires, optional warranty contracts.

# EXCEPTIONS

Under the following circumstances, normally taxable services are exempt from sales and use tax.

## **Building Services**

When services are performed on or connected with new construction, reconstruction, alteration, expansion, or remodeling of a building or structure, they are exempt from sales and use tax. This includes the services of a building contractor, architect or engineer. Repair services remain taxable.

## **Interstate Commerce**

When services are performed on tangible personal property that is delivered into interstate commerce for use outside of Iowa, they are exempt from sales and use tax. However, tangible personal property and services that are delivered or performed for use in Iowa are subject to sales tax.

## **Employee Services**

Services rendered, furnished or performed for an "employer" are exempt.

## **Exempt Entities**

Services provided to the following entities are exempt from sales and use tax: Iowa private nonprofit educational institutions, the federal government, Iowa governmental subdivisions, Iowa government agencies, certain nonprofit care facilities, nonprofit museums and nonprofit legal aid organizations. However, services provided to most nonprofit corporations, churches and religious organizations are taxable under most circumstances.

## **Purchase for Resale**

Tangible personal property purchased by one who is employed in the performance of a service may be purchased for resale and is not subject to tax if (1) both the provider and the user of the service intend that the property will be sold, (2) the property is transferred to the customer in a form or quantity capable of a fixed or definite price value, and (3) the

ale of the identifiable piece or quantity of property  
s evidenced or shown by a separate charge.

Tangible personal property not sold as specified  
bove is considered to be consumed by the purchaser  
who is employed in performing a service and is  
subject to sales/use tax at the time of purchase.

Example: A beauty or barber shop purchases  
hampoo and other items to be used in the  
performance of its service. If the customers of the  
shop are not sold the items, tax is due at the time the  
shop buys the items from its supplier. Tax is due  
because the items are not transferred to the customer  
in a form or quantity capable of a fixed or definite  
price value and because the items are not specifically  
invoiced.

## **Services for Resale**

Services purchased for resale are exempt from  
sales and use tax. A service is purchased for resale  
when the person who is contracted to perform the  
service subcontracts another to perform the service.

Example: An auto repair shop contracts with a  
customer to repair a damaged car. The shop does  
most of the repairs, but subcontracts the repair of the  
radiator to another shop. No sales tax is charged to  
the shop for repairing the radiator since the service  
was purchased for resale to the owner of the car. Tax  
is paid by the customer to the original repair shop.

## **Restoring Tangible Property**

Similar to services for resale, services that  
recondition or repair tangible personal property are  
exempt from sales and use tax when that property is  
normally sold in the regular course of the retailer's  
business. Sales and use tax will be paid when the  
property is finally sold to a consumer.

Example 1: The owner of a retail appliance store  
hires someone to repair a refrigerator that the owner  
is going to resell in the store. The owner can purchase  
the repair service tax free because the store regularly  
sells refrigerators and tax will be collected when it is  
sold to a final consumer.

Example 2: Chris operates a retail farm  
equipment dealership and accepts a motor boat as  
partial payment for a piece of farm equipment.  
Chris then contracts with Don to repair the motor on

the boat. After Don repairs the boat, Chris sells the boat at his dealership. Chris does not normally sell motor boats in the regular course of business. Therefore, the service performed by Don for Chris is taxable.

## Casual Sales

Services that qualify as casual sales are exempt from sales tax. In order for sales of services to qualify for exemption as casual sales, the sale must be made by a person who is not a retailer; or, if the seller is a retailer, the current sale must be unrelated to the retailer's regular business and must not involve a liquidation of the business. Casual sales are exempt from the Iowa sales and use tax except for the casual sale of vehicles subject to registration and of aircraft.

Two separate sales unrelated to the seller's regular business within a 12-month period are not considered to be typical and, therefore, are not taxable. Three separate sales within a 12-month period are considered recurring or typical. Tax applies beginning with the third sale. If a sale occurs consistently over a span of years, it is considered recurring and not casual, even though only one sale occurs each year.

### **FOR MORE INFORMATION...**

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