



IOWA
SALES AND USE TAX
INFORMATION BOOKLET

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IOWA SALES AND USE TAX INFORMATION BOOKLET

INTRODUCTION

This booklet is being made available to all the new retail sales tax permit holders, out-of-state retailers registered to collect use tax, and the general public to clarify the Iowa sales and use tax laws. Because its contents are general, it should not be used to bind the Iowa Department of Revenue in any legal issue. This booklet will not answer all questions; so we urge you to contact your local Iowa Department of Revenue field office or the Taxpayer Services Section in Des Moines if you need further assistance. The mailing address and telephone number(s) for the department offices are listed on page 19.

NATURE OF IOWA SALES AND USE TAX

The Iowa sales tax is imposed upon the gross receipts from all sales of tangible personal property and certain taxable services sold in this state to a consumer or user, unless the sale meets a specific exemption described by statute. The exemptions from tax are discussed starting on page 4.

The Iowa use tax is complementary to the Iowa sales tax and imposed on the use of tangible personal property in Iowa which is purchased out-of-state with the intent to use the property in Iowa. Use tax is also applicable if taxable services are performed in this state, or if the product or result of the service is used in this state. For use tax purposes, a "use" of tangible personal property in

Iowa is defined as the exercise by any person of any right or power over tangible personal property incident to the ownership of that property.

THE TAX BASE AND RATES

The Iowa sales tax is imposed upon the retailer's gross receipts. Gross receipts do not include discounts allowed and taken if the sales tax associated with the discount was not collected from the buyer. Furthermore, gross receipts do not include the sale price of property returned by customers for which the total sales price was refunded in cash or by credit. When tangible personal property is traded toward the purchase price of other tangible personal property the gross receipts are only that portion of the purchase price which is payable in money to the retailer if the following conditions are met: (1) The tangible personal property traded to the retailer is the type of property normally sold in the regular course of the retailer's business. (2) The tangible personal property traded to the retailer is intended by the retailer to be ultimately sold at retail and will be subject to the tax under section 422.43 when sold, or the tangible personal property traded to the retailer will be remanufactured into a like item which is intended to be ultimately sold at retail.

TAX BRACKETS

The following sales or use tax schedule has been approved by the Department to be used in lieu of a straight four

percent (4%) calculation of sales or use tax.

\$0.00 - \$0.12 = \$0.00	\$2.88 - \$3.12 = \$0.12
0.13 - 0.37 = 0.01	3.13 - 3.37 = 0.13
0.38 - 0.62 = 0.02	3.38 - 3.62 = 0.14
0.63 - 0.87 = 0.03	3.63 - 3.87 = 0.15
0.88 - 1.12 = 0.04	3.88 - 4.12 = 0.16
1.13 - 1.37 = 0.05	4.13 - 4.37 = 0.17
1.38 - 1.62 = 0.06	4.38 - 4.62 = 0.18
1.63 - 1.87 = 0.07	4.63 - 4.87 = 0.19
1.88 - 2.12 = 0.08	4.88 - 5.12 = 0.20
2.13 - 2.37 = 0.09	5.13 - 5.37 = 0.21
2.38 - 2.62 = 0.10	5.38 - 5.62 = 0.22
2.63 - 2.87 = 0.11	5.63 - 5.87 = 0.23

For sales larger than \$5.87 tax is computed at a straight four percent. One-half cent or more is treated as one cent.

TAXABLE SALES AND SERVICES

In addition to the sale or use of tangible personal property, the Iowa sales and use taxes are applicable to the following items and services:

1. The sale, furnishing, or service of gas, electricity, water, heat, and communication services, including the sale of these items to the general public by municipal corporations.
2. The sale of tickets or admissions to places of amusement, fairs, and athletic events except those of elementary and secondary schools.

3. Private club fees paid for the privilege of participating in any athletic sports provided by club members.

4. Gross receipts derived from the operation of all forms of amusement devices and games of skill, games of chance, raffles, and bingo games, and commercial amusement enterprises (a state gambling license is also required). Cities and counties are not subject to sales tax. The tax shall also be imposed upon the gross receipts derived from the sale of lottery tickets. The tax on the lottery tickets or shares shall be included in the sales price.

5. Receipts from musical devices, weighing machines, shooting galleries, billiard and pool tables, bowling alleys, pinball machines, slot-operated devices, vending machines of all types and devices or systems where prizes are awarded to patrons.

6. Receipts from fees charged for participation in any game or other form of amusement (Entry fees are taxable, except that portion designated as prize money, which is returned to the participants).

7. Gross receipts from renting rooms, apartments, or sleeping quarters in any hotel, motel, inn, public lodging house, rooming house, or tourist court, or in any place where sleeping accommodations are furnished to transient guests for rent if the accommodations are rented by the same person for a period less than thirty-two consecutive days.

The gross receipts from the following services, except when performed on or connected with new construction, reconstruction, alteration, expansion, or remodeling of real property. Alteration and garment repair; armored cars; automobile repair; battery, tire and allied; investment counseling, excluding investment services of trust departments; bank service charges; barber and beauty; boat repair; car wash and wax; carpentry; Roof, shingle, and glass repair; dance schools and dance studios; dry cleaning, pressing, dyeing and laundering; electrical and electronic repair and installation; rental of tangible personal property; excavating and grading; farm implement repair of all kinds; flying service, except agricultural aerial application services and aerial commercial and charter transportation services; furniture, rug, upholstery repair and cleaning; fur storage and repair; golf and country clubs and all commercial recreation; house and building moving; household appliance, television, and radio repair; jewelry and watch repair; machine operator; machine repair of all kinds; motor repair; motorcycle, scooter, and bicycle repair; oilers and lubricators; office and business machine repair; painting, papering, and interior decorating; parking facilities; pipe fitting and plumbing; wood preparation; licensed detective search agencies; private employment agencies, including services for placing a person in employment where the principal place of employment of that person is

to be located outside of the state; sewing and stitching; shoe repair and shoeshine; storage warehousing of raw agricultural products; telephone answering service; test laboratories, except tests on humans; termite, bug, roach and pest eradicators; tin and sheet metal repair, turkish baths, massage, and reducing salons; weighing; welding; well drilling; wrapping, packing, and packaging of merchandise other than processed meat, fish, fowl and vegetables; wrecking service; wrecker and towing; cable television; campgrounds; carpet and upholster cleaning; gun and camera repair; janitorial and building maintenance or cleaning; lawn care, landscaping and tree trimming and removal; lobbying service; pet grooming; reflexology; security and detective services; tanning beds or salons; and water conditioning and softening.

9. Gross receipts derived from the sale of optional service or warranty contracts which provide for the furnishing of labor and materials. The sale of optional service or warranty contracts is a sale of tangible personal property.

10. Effective 7-1-85 the gross receipts from the lease or rental of certain motor vehicles subject to registration, which are registered for a gross weight of thirteen tons or less, recreational vehicles and recreational boats are subject to tax when the lease or rental contract is for a period of sixty days or less.

EXEMPT FROM TAX

Taxation is the rule and exemption from taxation the exception. Therefore, exemption statutes must be strictly construed and any doubts are resolved in favor of taxation and against the exemption. The person claiming the exemption must be able to show he or she is entitled to it. Following is a summary of the sales tax and use tax exemptions provided in the Iowa Code:

1. Tangible personal property and services purchased for resale. Tangible personal property is sold for the purpose of resale when it is sold to retailers, wholesale, jobbers, or any person who is not the ultimate user or consumer of the property and who holds property for the purpose of selling it to another. Services are for resale when the purchaser is not the final user or consumer of the service. An example of a service sold for resale would be when a printer sub-contracts a job to another printer. The subcontractor would be performing a service for resale. Exemption certificates must be obtained from the purchaser and retained by the seller as evidence of an exempt transaction. Exemption certificates can be obtained upon request from the Department, or the seller may provide exemption certificates in the form prescribed by the Director.

2. Resale of tangible personal property in connection with a service. Property is resold in connection with a service when it is (1) transferred to the customer in a form

or quantity which is capable of any fixed or definite price value, and (2) is actually sold to the customer in conjunction with the performance of the service as indicated by a separate charge for the identifiable item.

3. Agricultural breeding livestock and domesticated fowl, or commercial fertilizer, or agricultural limestone, or herbicide, pesticide, insecticide, food and medication and agricultural drain tile and installation thereof which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market.

4. Electricity or steam or any taxable service purchased and used in the processing of tangible personal property intended to be ultimately sold at retail.

5. Tangible personal property (including containers) sold for processing when it is intended that such property:

A. by means of fabrication, compounding, manufacturing, or germination becomes an integral part of other tangible personal property intended to be

ultimately sold at retail.

B. is consumed as fuel in creating heat, power, or steam for processing, including grain drying, for providing heat or cooling for livestock buildings or for generating electric current, or consumed in self-propelled implements of husbandry engaged in agricultural production, (e.g. fuel used in a farm tractor used to plant corn).

C. is a chemical, solvent, sorbent, or reagent, which is directly used and consumed, dissipated, or depleted in processing tangible personal property which is intended to be sold ultimately at retail even if it does not become a component or integral part of the finished product.

Exemption certificates must be obtained from the purchaser and retained by the seller as evidence of an exempt transaction.

Sales of service performed on property delivered into interstate commerce, or sales of tangible personal property delivered into interstate commerce. Delivery to interstate commerce is made when the seller uses his own vehicles to deliver the goods out of Iowa or directly signs goods to a common carrier for shipment out of Iowa. Delivery to a buyer in Iowa is prima facie evidence of a sale in Iowa and sales or use tax should be charged by the seller.

7. The gross receipts from the sale or furnishing of transportation services.

8. The gross receipts from educational, religious, or charitable activities if the entire proceeds are expended for educational, religious, or charitable purposes. The gross receipts from games of skill, games of chance, raffles, and bingo do not qualify for the exemption. Organizations and individuals conducting events which may produce tax-exempt gross receipts should obtain a free copy of departmental guidelines relating to this exemption. It should be noted that there are no special exemptions for tangible personal property or services which are purchased, used, or consumed by churches and other religious organizations.

9. The gross receipts from sales of vehicles subject to registration are exempt from sales tax but subject to Iowa use tax. The use tax is payable upon registration to the County Treasurer, Department of Transportation, or Department of Revenue. The use tax is also applicable when vehicles are sold between private individuals.

10. The gross receipts from the sale of services or goods, wares, and merchandise used for public purposes to any tax-certifying or tax-levying body of the state of Iowa, governmental subdivision thereof, including the State Board of Regents, State Department of Social Services, State Department of Transportation, any municipally-owned solid waste facility which sells all or part of its processed waste as fuel to a municipally-owned public

utility, and all divisions, boards, commissions, agencies, or instrumentalities of state, federal, county, or municipal government which have no earnings, going to the benefit of an equity investor or stockholder. NOTE....sales of goods, wares or merchandise or sales of services rendered, furnished, or performed and used in connection with the operation of any municipally-owned public utility engaged in selling gas, electricity, or heat to the general public are not exempt from tax. Contractors should obtain a copy of the department's booklet relating to construction contracts.

11. Gross Receipts From Casual Sales. The casual sale exemption applies to tangible personal property or services if (1) it is a sale of a nonrecurring nature when a seller does not own or operate a retail business or (2) a seller is making retail sales but makes a sale of a nonrecurring nature outside the regular course of business and the sale is unrelated to the business. Sales of capital assets such as equipment, machinery, and furnishings are usually deemed outside the regular course of business and the casual sales exemption applies as long as such sales are nonrecurring.

Two separate selling events outside the regular course of business within a twelve month period is considered non-recurring. Three separate selling events within a twelve month period is considered recurring. Tax applies com-

mencing with the third separate selling event. However, when a sale event is planned and occurs consistently over a span of years, the sale is recurring and not casual, even though only one sale event occurs each year.

When a retailer sells all or substantially all of the tangible personal property held or used in the course of their business, for which the retailer is required to hold a sales tax permit, the casual sale exemption will apply when the following circumstances exist: (1) The trade or business must be transferred to another person and (2) The transferee must engage in a similar trade or business.

12. The gross receipts of all sales of goods, wares, merchandise, or services used for educational purposes to any private nonprofit educational institution in Iowa. Also, see special provisions relating to construction contracts on page 8.

13. Gross receipts from the sale of newspapers, free newspapers, or shoppers guides, and services for the printing and publishing of these items.

14. The gross receipts from the sale of personal property used or to be used as railroad rolling stock, or as materials or parts therefor.

15. The gross receipts from the sale of motor fuel and special fuel consumed for highway use or in watercraft where the fuel tax has been imposed and paid and no refund has been or will be allowed.

. The gross receipts from the sale of all foods for man consumption which are eligible for purchase with food coupons issued by the United States Department of Agriculture pursuant to regulations in effect on July 1, 1974, regardless of whether the retailer from which the foods are purchased is participating in the food stamp program. "Foods" do not include meals prepared for immediate consumption which can be consumed on or off the premises of the retailer, and does not include foods sold through vending machines. Candy, candy-coated nuts, and other candy products; beverages, excluding milk and coffee, and all mixes and ingredients used to produce such beverages, which do not contain a primary dairy product or dairy ingredient base or which contain less than fifteen percent natural fruit or vegetable juice; foods prepared on or off the premises of the retailer which are consumed on the premises of the retailer; foods sold by caterers and hot or cold foods prepared for immediate consumption off the premises of the retailer. "Foods prepared for immediate consumption" include any food product upon which an act of preparation, including but not limited to, cooking, mixing, sandwich making, blending, heating or pouring, has been performed by the retailer so that the food product may be immediately consumed by the purchaser.

. The gross receipts from the sale of prescription drugs which are dispensed for human use or consumption by a

registered pharmacist or licensed physician, surgeon, dentist, or podiatrist.

18. Gross receipts from the sale of insulin, hypodermic syringes, and diabetic testing materials for human use and consumption.

19. The gross receipts from the sale or rental of prosthetic, orthotic, or orthopedic devices for human use.

20. The gross receipts from sale of oxygen prescribed for human use by a licensed physician, surgeon, osteopathic physician or surgeon, dentist, or podiatrist.

21. The gross receipts from the sale of draft horses used primarily as a source of power for pulling or moving loads, such as the breeds of Clydesdale, Shire, Belgian or Percheron.

22. All articles of tangible personal property brought into this state by a nonresident individual for his or her own personal use or enjoyment while within the state are exempt from Iowa use tax.

23. Advertising and promotional material, seed catalogs, envelopes for same, and other similar material temporarily stored in Iowa which are acquired outside Iowa, and subsequent to being brought into Iowa, are sent out of state.

24. When trucks, truck tractors, road tractors, trailers and semitrailers are purchased for lease, and actually leased to a lessee for use outside Iowa, and the sole

subsequent use in Iowa is in interstate transportation, the purchase of the vehicle is exempt from use tax.

25. The purchase of tangible personal property which by fabrication, compounding or manufacturing becomes an integral part of trucks, truck tractors, road tractors, trailers or semitrailers, when manufactured for lease to a lessee, actually leased to a lessee for use outside Iowa and the sole subsequent use is interstate transportation, is exempt from use tax. This exemption does not apply to sales of tangible personal property subject to the Iowa retail sales tax.

26. If tangible personal property is purchased for leasing, the purchase is exempt from tax provided (1) the person purchasing the property is regularly engaged in the business of leasing, (2) the period of the lease is for more than one year, and (3) the receipts from the lease are subject to taxation. This exemption does not apply to vehicles subject to registration.

27. The gross receipts from the sale of containers, labels, cartons, pallets, packing cases, wrapping paper, twine, bags, bottles, shipping cases, and other similar articles sold to retailers or manufacturers for the purpose of packaging or facilitating the transportation of tangible personal property sold at retail.

28. The gross receipts from sales or services rendered, furnished, or performed by a county or city. This exemp-

tion does not apply to the tax specifically imposed under section 422.43 on the gross receipts from the sales, furnishing or service of gas, electricity, water, heat, and communication service to the public by a municipal corporation in its proprietary capacity and does not apply to fees paid to cities and counties for the privilege of participating in any athletic sports.

29. The transfer of vehicles subject to registration from a business or individual conducting business in Iowa as a sole proprietorship or partnership to a corporation formed by the sole proprietorship or partnership when all of the stock in the corporation is owned by the sole proprietor and the sole proprietor's spouse or by all the members of a partnership. The exemption also applies to vehicles transferred from a corporation to a sole proprietorship or partnership formed by the corporation.

30. The gross receipts from the sale of envelopes used primarily for advertising.

31. Services used in the processing of tangible personal property include the reconditioning or repairing of tangible personal property normally sold in the regular course of the retailer's business and which is held for sale upon which sales or use tax will be paid when the tangible personal property is sold.

32. The gross receipts from the sales by a trade shop to a printer of lithographic offset plates, photoengraved plates, engravings, negatives, color separations, typ-

ting, and end products of image modulation, or any se material used as a carrier for light sensitive emul- ns to be used by the printer to complete a finished oduct for sale at retail.

. Effective July 1, 1987, the gross receipts from the le or rental on or after July 1, 1987, of industrial achinery and equipment and computers and farm achinery and equipment, including replacement parts rich are depreciable for state and federal income tax rposes. The gross receipts from the sale or rental of nd tools are not exempt. The gross receipts from the le or rental of pollution control equipment qualifying nder paragraph "a" shall be exempt. The gross receipts om the sale or rental of industrial machinery, equip- ent, and computers, including pollution control equip- ent, within the scope of section 427A.1, subsection 1, ragraph "h" and "i" shall not be exempt.

ehicles subject to registration, as defined in section 3.1, or replacement parts for such vehicles, shall not be gible for this exemption.

OTE: From 7-1-85 to 6-30-87, tax is paid and refund ven, unless the business has a valid 280B agreement th a community college or vocational school.

. Effective 7-1-85 the gross receipts from the sale or ntal of tangible personal property or from services rformed, rendered, or furnished to certain nonprofit corpora- ms.

1. Residential facilities licensed under Iowa Code chapter 237.

2. Residential care facilities licensed under Iowa Code chapter 135C.

3. Community mental health centers accredited under Iowa Code chapter 225C.

4. Rehabilitation facilities accredited by the commis- sion on accreditation of rehabilitation facilities or the accreditation council for mentally retarded.

35. Mobile homes are exempt from use tax if the tax has been previously imposed pursuant to Iowa Code section 423.2 and paid.

36. Vehicles registered under Iowa Code chapter 326 are exempt from use tax if the gross weight is thirteen tons and more and accrues at least 25% of its mileage outside of Iowa.

37. The gross receipts from the rendering, furnishing or performing the services of design and installation of new industrial machinery or equipment, including electrical and electronic installation. The exemption will apply regardless whether the design and installation is on or connected with new construction.

CONSTRUCTION CONTRACTORS

Contractors, subcontractors, builders, and owners are consumers by statute of building materials, supplies and equipment used by them in the performance of construc- tion contracts, and tax applies to the sales of all such

ms made to them. There are also special statutory provisions for contractors who are also retailers. In addition, the sale of certain machinery and equipment to contractors which remains tangible personal property after installation can be purchased for resale. The department urges persons in the construction industry to request a copy of our guidelines on construction contracts by writing to the Taxpayer Services Section in Des Moines.

RESPONSIBILITY FOR TAX

Iowa sales tax is not imposed on the article sold or the service rendered, but is an excise tax imposed on the receipts from such sales. The retailer is required by law to add the tax to the price of the goods sold or services rendered and collect the tax from the consumer as a part of the total charge for the goods or services. The retailer is therefore, ultimately liable for the remittance of the tax. The ultimate liability for the remitting of the tax can be transferred to the purchaser if a valid exemption certificate is taken in good faith by the seller. In this event, the purchaser is solely liable for the tax. A valid exemption certificate is the complete and correct according to the requirements of the director. In order for the seller to obtain an exemption certificate in good faith, he or she must exercise reasonable prudence to determine the facts supporting the exemption certificate.

Iowa use tax is imposed on the privilege of using tangible personal property or taxable services in this state, and the "user" is responsible for paying tax if no

previous Iowa tax has been paid. The use tax is computed at four percent of the purchase price of the goods or services.

ABSORBING TAX PROHIBITED

It is unlawful for any retailer to advertise, hold out, or to state to the public or any consumer, directly or indirectly, that any part of the sales tax is being assumed or absorbed. If a retailer wishes to include sales tax in his or her price to the consumer, such as in the price of drinks or in the price of admissions, notice must be given in the form of a posted sign or a statement on the invoice or ticket that the purchase price includes state sales tax.

RECORDS REQUIRED

Every retailer required or authorized to collect sales or use taxes and every person using tangible personal property or taxable services in this state subject to the consumer's use tax must keep records, receipts, invoices, and other pertinent records for five years. In the absence of records, the department may estimate the tax due.

PERMITS

Retail sales tax. Persons transacting business as an Iowa retailer must obtain from the department a retail sales tax permit at no charge.

Once issued, a sales tax permit is effective until cancelled or revoked. A permit is required of each place of business and must be conspicuously displayed at all times. The permit is not assignable and is valid only for the person in whose name it is issued and for the place of business for which it is designated. If a business location is changed, a

new permit is required. However, a new permit will not be required because of a change in mailing address. Any change in business ownership will require a new permit.

Persons not regularly engaged in selling at retail and not having a permanent place of business but who are temporarily engaged in selling from trucks, portable roadside stands, and concessionaires can operate without a sales tax permit by obtaining a nonpermit identification certificate from the department, which is free and is good for the duration of the event.

Regular permit holders also conducting business at temporary locations can remit tax collected at a temporary event using their regular sales tax permit.

Consumer's use tax. Persons regularly purchasing tangible personal property or taxable services from an out-of-state source for use in Iowa must register with the department. No permit is issued and there is no registration fee.

Retailer's use tax. Every out-of-state retailer who maintains a place of business in Iowa and who makes sales of tangible personal property or of taxable services for use in this state must register with the department. A retailer's use tax certificate will be issued without charge to the out-of-state retailer. A retailer maintains a place of business within Iowa if he or she maintains either directly or by a subsidiary, an office, distribution house, retail outlet, warehouse, or any other place of business, or has an agent permanently or temporarily in Iowa.

REVOCATIONS

If a holder of a sales tax permit fails to comply with any provision of the sales tax law, orders, or rules of the department, the director after giving notice of a hearing may revoke the permit. When a permit is revoked, the director may set forth a period of time the retailer must wait before the permit can be restored or a new permit can be issued. The waiting period can be as long as 90 days from the date of revocation. Persons knowingly making sales without procuring a permit are guilty of a simple misdemeanor. Persons knowingly making sales after a license has been revoked and before it is restored are guilty of a serious misdemeanor. When a retailer goes out of business or if the type of business ownership changes, the sales tax permit should be canceled. Cancellation can be done by notifying the department.

BONDING REQUIREMENTS

The department, when necessary and advisable to secure the collection of tax, may require a bond of any permit holder. The department generally requires a bond of a new applicant only if the person applying, or an active officer in a corporation, has held a previous permit for which the department has established an unfavorable filing and remittance record for prior tax obligations, experienced prior collection problems, or knows that the applicant's financial status is such that he or she may be unable to timely remit tax. Existing permit holders will be required to post a bond when they have had two or

re delinquencies in remitting tax during a twenty-four month period if filing returns on a quarterly basis, when they incur four or more delinquencies during a twenty-four month period if filing on a monthly basis, or when they incur eight or more delinquencies during a twenty-four month period if filing semi-monthly. If there are recurring payments of tax with unhonored checks, a bond will also be required.

When it is determined that a bond is required of a quarterly filer, the minimum amount of bond will be equal to three quarters (nine months) of sales tax liability. Monthly filers will be required to post a bond equal to five months sales tax liability. Semi-monthly filers will be required to post a bond equal to three months sales tax liability. A bond of a greater amount can be required if the facts so warrant a larger amount. No bonds are required to be less than \$100.

The department will accept cash, certificates of deposit, and surety bonds as a means of meeting a bonding requirement.

Failure to post a bond when one is required will result in the revocation of the permit.

RECEIVING RETURNS

Sales tax permit holders collecting less than \$50 a month in tax will receive a quarterly sales tax return during the first week of the month following the end of the quarter. Those collecting more than \$50 a month in sales tax will receive a packet each quarter containing two monthly

deposits and a quarterly return. Those collecting more than \$4,000 in sales tax in a semi-monthly period will receive a packet each quarter containing five semi-monthly deposits and a quarterly return. Those permit holders collecting less than \$120 per year will receive one return per year.

Retailers use tax permit holders collecting less than \$1,500 a month in use tax will receive a quarterly use tax return during the first week of the month following the end of the quarter. Those collecting more than \$1,500 a month in tax will receive a packet each quarter containing two monthly deposits and a quarterly return.

Consumers use tax returns are mailed quarterly to those persons registered.

If you do not receive your return, please contact the department at 1-515-281-5805 (no collect calls accepted).

FILING REQUIREMENTS

Retailers collecting less than \$50 a month in tax are required to file quarterly returns. Those collecting more than \$50 but less than \$4,000 semi-monthly in sales tax, must file a monthly sales tax deposit. Such persons who have the option of either depositing the actual tax collected or one-third of the tax collected and paid during the preceding quarter.

For the third month of each quarter, permit holders will receive a retailer's sales tax quarterly return. This form is to reflect the gross sales, goods consumed and deductions for the entire quarter. On this form, there is a line

where credit can be taken for any monthly deposits made during the quarter.

Retailers collecting \$4,000 or more in sales tax semi-monthly will be required to remit sales tax on a semi-monthly basis. Tax collected from the first to the fifteenth of the month will be deposited by the twenty-fifth of the same month. Tax collected from the sixteenth to the end of the month will be deposited by the tenth of the following month. However, taxes collected in the last semi-monthly period of the quarter will be due with the filing of the quarterly return on the last day of the month following the quarter. Semi-monthly filers may remit either the actual tax collected or one-sixth of the tax collected and paid in the prior quarter, or one-sixth of the tax collected and paid during the same quarter of the previous year. Retailers required to make semi-monthly deposits under any of the above methods of estimating tax based upon a period when the tax rate was three percent shall adjust deposits for periods beginning on or after March 1, 1983, to reflect the increase in the tax rate to four percent.

If a retailer's annual tax liability does not exceed \$120 for a calendar year, upon request to the Director of Revenue, the retailer can file returns on an annual basis. When annual filing is allowed, the return and tax are due and payable no later than the January 31 following the calendar year.

When claiming deductions, the total amount of these deductions must be itemized on the schedule of deductions, lines 14-21, on the back of the quarterly return. The department will not process a sales or use tax return if deductions are not itemized, or other allowable deductions, such as bad debts at line 20 are not explained.

Retailers who file a monthly deposit late and remit the applicable penalty and interest for late filing with the monthly deposit, or who are billed penalty and interest for late filing, should not include the amount of penalty and interest as part of the monthly deposit on line 9 of the quarterly return.

Consumer's use tax can be remitted on the quarterly sales tax return by including the purchase price of tangible personal property, enumerated services, and goods consumed, which have not been subjected to Iowa sales tax, on line 2 of the return.

Retailer's use tax permit holders who collect \$1,500 or more a month will be required to file on a monthly basis. The monthly deposits for the first two months of a quarter will be deposited by the twentieth of the month following the month during which the tax was collected. The quarterly return and last deposit will be due by the last day of the month following the calendar quarter. Penalties for failure to remit the tax or file the return are the same as currently applicable to the quarterly return.

EXTENSIONS

0 day extension of time for filing may be granted if necessary. The request for the extension must be written and received on or before the original due date of the return. It will be granted only if the person requesting the extension shall have paid by the twentieth day of the month following the close of such quarter, ninety percent of the estimated tax due.

INSTRUCTIONS FOR COMPLETING THE RETAILER'S SALES TAX RETURN

GROSS SALES: Includes all sales of tangible personal property, admissions, amusements, taxable enumerated services, and the rental of sleeping quarters for a period less than 31 consecutive days. Tax does not apply to labor charges when they are performed on or in connection with new construction, reconstruction, alteration, expansion or remodeling of real property.

IMPORTANT: DO NOT INCLUDE THE SALES TAX COLLECTED ON TAXABLE SALES IN THE GROSS SALES AMOUNT.

GOODS CONSUMED: Enter on this line the total purchase price of all tangible personal property or enumerated taxable services purchased by you for your own use and upon which an Iowa tax 4% has not been paid. This also includes all inventory items purchased tax exempt in Iowa for resale purposes which were subsequently used for business or personal reasons.

3. **TOTAL:** This is the total of lines 1 and 2.
4. **DEDUCTIONS FROM LINE 21:** This is the amount brought forward from line 21. If deductions are claimed on line 4 you MUST itemize them on the schedule on the back side of the card; deductions which are not itemized will be disallowed.
5. **TAXABLE AMOUNT:** Subtract line 4 from line 3.
6. **STATE TAX:** Multiply amount of line 5 by tax rate and enter here.
7. **LOCAL OPTION TAX** (from line M page two).
8. **TOTAL TAX:** Add lines 6 and 7.
9. **MONTHLY OR SEMI-MONTHLY DEPOSITS:**
If you are a monthly or semi-monthly filer, enter the total amount of tax deposited. This amount should not include penalty and interest paid.
10. **TOTAL:** Subtract line 8 from line 9.
11. **PENALTY:** If you are filing your return late, for taxes due and payable prior to Jan. 1, 1985, there shall be added to the tax due a penalty of 5% of the amount of the tax if the failure is for not more than one month with an additional 5% for each additional month or fraction thereof during which such failure continues, not to exceed 25% in the aggregate. See Page 13.

12. INTEREST: Prior to January 1, 1982, interest at the rate of $\frac{3}{4}$ of 1% per month, shall accrue on the unpaid tax from the due date of the return. For calendar year 1982 the interest rate is 1.4% per month and for calendar year 1983 the interest rate is 1.2% per month, and for calendar years 1984 and 1985 the interest rate is .8% per month. For periods thereafter, interest accrues at the rate prescribed by law. Any fraction of a month is considered as a whole month for purposes of computing penalty or interest.

13. TOTAL AMOUNT DUE Add lines 10, 11 and 12.

14. SALES IN INTERSTATE COMMERCE: Iowa based retail sales tax permit holders may take a deduction for tangible personal property sold and DELIVERED out-of-state by the seller, common carrier, or mails.

15. SALES TO GOVERNMENTAL UNITS OR NON-PROFIT EDUCATIONAL INSTITUTIONS: Sales made directly to governmental units and private non-profit educational institutions for educational purposes where payment is made by them; but not to include sales to contractors who contract with governmental units. Sales to any tax-levying body used by or in connection with the operation of any municipally-owned utility engaged in selling gas, electricity, or heat to the general public are NOT exempt from sales tax.

16. SALES FOR RESALE OR PROCESSING: Tangible personal property purchased for the purpose of resale or processing where a resale or processing certificate is completed. This amount must be included in item 1.

17. SALES OF GASOLINE AND DIESEL FUEL: Motor fuel and special fuel consumed for highway use or in watercraft where the fuel tax has been imposed and PAID and no refund has been or will be allowed.

18. SALES OF NEW AND USED VEHICLES SUBJECT TO REGISTRATION: Enter all sales of vehicles which are required to be registered and which are subject to USE TAX before registration, payable to the County Treasurer, Department of Transportation, or Department of Revenue. All sales of vehicles subject to registration must be included in the gross sales amount on line 1.

19. EXEMPT FOOD, DRUGS, AND MEDICAL DEVICES: Sales of foods (which may be purchased with food coupons pursuant to regulations in effect on July 1, 1974), prescription drugs, prescribed oxygen, prescribed orthotic and orthopedic devices, prosthetic devices

20. OTHER ALLOWABLE DEDUCTIONS: All allowable deductions not included in above. Explain fully on a separate sheet.

igned for a particular individual, hypodermic syringes, insulin, and diabetic testing materials are exempt from sales tax.

1. TOTAL DEDUCTION: For entire quarter, add lines 14 through 20 and enter here. This aggregate figure is to be entered on line 4.

-M LOCAL OPTION SALES TAX: All or part of your taxable sales may be subject to local option sales tax. The local jurisdictions which are imposing a local option sales tax will be identified for permit holders.

JURISDICTION: Enter the name of the taxing local jurisdiction in which the sales took place in the first column labeled "Jurisdiction".

CODE: In the column labeled "Code" enter the code assigned to the local jurisdiction named in the first column.

RATE: Enter the local sales tax rate for the jurisdiction in the "Rate" column.

TAXABLE SALES: In the column labeled "Taxable Sales" enter only the amount of sales taxable in the jurisdiction named in the first column. For further information concerning taxable sales please refer to the "Local Option Flier" 31-003, or contact your local Department of Revenue office.

TAX: Multiply the amount of taxable sales by the local sales tax rate and enter the result in the last column labeled "Tax". Repeat these instructions for each jurisdiction which is imposing local option sales tax.

LINE M. TOTAL LOCAL OPTION SALES TAX:

Add the figures in the Tax column and enter the total on line M and on line 7 page one.

IMPORTANT: The return **MUST** be filed timely even though no sales were made during the period indicated. Any adjustments must be made on the appropriate lines on the back side of the return or attached explanation.

PENALTIES AND INTEREST

Failure to file returns timely or to remit tax timely is a serious matter and will result in the assessment of penalty and interest against the tax due. See Page 14.

In addition to the penalties imposed, recurring failure to file returns or to pay tax timely will result in the imposition of a bond or revocation of the permit.

AUDITS AND APPEALS

The department may audit a return anytime within five years from the date a return is filed. Persons are encouraged to utilize informal procedures provided in Rule 7.11(17A) in order to reach settlement of any disputed matters, thereby eliminating contested case proceedings.

However, a person wishing to contest an assessment, refund claim, or any other department action, except licensing, which may culminate in a contested case proceeding, shall file a protest with the department's hearing officer within the time prescribed by the ap-

plicable statute or rule for filing notice of application to the director for a hearing. Failure to timely file a written protest will be construed as a waiver of opposition to the matter involved unless the director on his or her own motion, pursuant to statutory authority, exercises his or her power of abatement. Upon failure of a person to submit a proper protest, the department may at its discretion, either require such person to follow the provisions for this rule pointing out the defects and details needed to comply with the rule before accepting for filing or dismiss the protest for failure to comply with this rule.

All protests to be filed with the department must be filed either by certified mail return receipt requested or by personal delivery in the office of the hearing officer, during business hours.

When you receive an assessment notice by certified mail, you have, by statute, thirty days (30) from the date the certified assessment notice is issued to file a formal appeal with the department's hearing office in accordance with the provisions of Rule 7.8.

REFUNDS

The department may approve refunds of erroneously paid sales and use taxes if a claim is filed within five years after the tax payment becomes due or within one year after the tax payment was made, whichever time is the later. The refund can only be made to the person who actually paid the tax, which in most cases is the retailer's customer. However, a claim can be made by a retailer for

his customer if the retailer can show proof that he is acting as an agent for his customer. A refund is not allowed for taxes voluntarily paid when the refund is based on a portion of the Iowa Code which is found to be unconstitutional by the Iowa or federal courts.

Errors by retailers in completing a return or in computing the tax on the return can be corrected by making an adjustment on the next return that is filed and attaching a letter to the return that explains the adjustment.

CREDITS

When sales or use taxes are paid to other states on the sale of purchase price of tangible personal property which is also subject to Iowa use taxes, a credit may be allowed for those taxes paid; but in no case will the credit exceed the Iowa use tax computed on the sale or purchase price.

IOWA LOCAL OPTION SALES TAX

Local option sales tax has been adopted by certain cities and counties in Iowa. The rate of local option sales tax can be up to 1.00%. Please contact the Taxpayer Services Section if you require additional information.

IOWA HOTEL/MOTEL TAX

Certain cities and counties in Iowa have adopted a local option hotel/motel tax which is assessed on the renting of sleeping rooms in any hotel, motel, inn, public lodging house, rooming house, tourist court or in any place where sleeping accommodations are furnished to transient guests for rent. Such rentals are also subject to state sale

The rate of local hotel/motel tax can range from 1% to 5%. Please contact the Taxpayer Services Division if you require additional information.

ADDITIONAL INFORMATION

It would be impossible to explain every matter relating to sales and use taxes in the general information booklet. However, there is additional information available upon request. The following is a brief summary of that information, all of which is free of charge:

a) Department Rules. Department of Revenue rules are set forth in Chapter 730 of the Iowa Administrative Rules. Specific rules may be requested by topic or number.

b) Director's Newsletter. Four times a year, the Director of Revenue issues a newsletter concerning all taxes. If you would like to be placed on the mailing list, please let us know.

c) Business Tax Newsletter. The Taxpayer Services Section publishes a quarterly newsletter to all permit holders each quarter.

d) Guidelines for Nonprofit Corporations, Churches and Religious Organizations. This booklet provides a detailed description of the sales and use tax respon-

sibilities of nonprofit organizations and persons seeking a sales tax exemption under section 422.45(3) of the Iowa Code.

(e) Guidelines for Construction Contractors. This booklet provides a detailed analysis of the Iowa statutes and departmental rules for persons in the construction industry.

(f) Gambling Information Booklet. This booklet provides a general review of the gambling responsibilities for individuals and organizations who participate in games of skill, games of chance, bingo and raffles.

(g) Letters. The Taxpayers Services Section will try to respond to any questions you have relating to sales and use tax matters within five working days of receipt of the written facts.

(h) Motor Vehicle Fuel Tax Booklet. This booklet explains the Iowa fuel tax statutes and how tax is to be collected and remitted by licensees.

Address all correspondence to:

**TAXPAYER SERVICES SECTION
IOWA DEPARTMENT OF REVENUE
P. O. BOX 10457
DES MOINES, IOWA 50306
515/281-3114**

REVENUE FIELD OFFICES

Region 1
Badgerow Bldg.
Suite 938
622 4th Street
Sioux City, Iowa 51101
(712) 258-4561
Spencer Shopping Center
Spencer, Iowa 51301
(712) 262-7595
900 Central Avenue, Suite 26
Fort Dodge, Iowa 50501
(515) 576-7428

Region 2
22 N Georgia
P.O. Box 1193
Mason City, Iowa 50401
(515) 421-7595
KWWL Bldg.
Fourth Floor
500 East 4th Street
Waterloo, Iowa 50703
(319) 232-8100

These offices are open Monday through Friday, from 8:00 a.m. to 4:30 p.m. The Department of Revenue also maintains a number of offices in other cities that are open one or two days a week for several hours. To find out the

Nesler Center
209 Town Clock Plaza at 8th
Dubuque, Iowa 52001
(319) 556-2166

Region 3
119 South Main
Suite #350
P.O. Box 1766
Council Bluffs, Iowa 51501
(712) 328-3362

P.O. Box 669
625 North West Street
Carroll, Iowa 51401
(712) 792-4845

Region 4
P.O. Box 6128
E. Des Moines Station
313 E. 7th St.
Des Moines, Iowa 50309
(515) 281-5178

Region 5
Iowa Building
221 4th Avenue, SE
P.O. Box 4010
Cedar Rapids, Iowa 52407
(319) 366-8488

P. O. Box 515
226 W. Main, Suite 210
Ottumwa, Iowa 52501
(515) 682-8035

Region 6
Union Arcade Bldg.
Mezzanine Floor
P.O. Box 490
Davenport, Iowa 52801
(319) 326-6438

P.O. Box 1012
1000 North Roosevelt
Burlington, Iowa 52601
(319) 753-5123

location of the office nearest you and the day and times it is open, please call the major office listed here closest to you.



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