

Local Option Sales Tax

LOCAL OPTION SALES TAX RETURN

This return must be completed and returned with your sales tax return, even if you had sales in only one county.

COUNTY	Code	TAXABLE SALES
ALLAMAKEE	03	
BLACK HAWK	07	
BOONE	08	
BUCHANAN	10	
BUENA VISTA	11	
BUTLER	12	
CASS	15	
CERRO GORDO	17	
CHEROKEE	18	
CLAYTON	22	
CLINTON	23	
DECATUR	27	
DELAWARE	28	
DES MOINES	29	
DUBUQUE	31	
FAYETTE	33	
FLOYD	34	
FRANKLIN	35	
FREMONT	36	
HANCOCK	41	
HARDIN	42	
HENRY	44	
HOWARD	45	
IOWA	48	
JACKSON	49	
JONES	53	
LEE	56	
LINN		
LYON		
MAHASKA		
MARSHALL		

OWA
DEPARTMENT OF
REVENUE AND FINANCE

Local option sales tax has been adopted by many cities and unincorporated areas in Iowa. For a current list of taxing jurisdictions, call our forms order line.

A local option sales tax is imposed after an election at which the majority of voters favors the tax. The tax usually remains in effect until it is repealed; however, the ordinance may include a sunset clause. Questions and problems regarding the election ballot should be addressed to the Iowa Secretary of State at (515) 281-5823.

The rate of the local option sales tax can be up to 1%. With few exceptions, local option sales tax applies whenever state sales tax applies. Local option sales tax does *not* have a complementary local option use tax.

Retailers do not remit local option sales taxes with their semi-monthly or monthly sales and use tax deposits. Local option sales tax collections are reported and remitted with the quarterly sales tax return which contains local option sales tax reporting information.

Retailers do not have to obtain special sales tax permits in order to collect local option sales tax. Only the state sales tax permit is required.

WHAT IS TAXED?

The amount of local option sales tax is based on purchase price. State sales or use tax is not subject to the local option sales tax.

Sales Tax On Goods

The local option sales tax is imposed on the gross receipts from sales of tangible personal property. Tax applies if “delivery” of the tangible personal property, occurs within a local option sales tax jurisdiction.

Delivery occurs where and when physical possession of the property being purchased transfers from a retailer to a buyer.

If any retailer delivers tangible personal property into a jurisdiction which imposes the local option sales tax, the tax is due.

However, if a retailer based in a local option jurisdiction delivers property to a location which does not impose local option sales tax, the tax is not due.

When a purchase is made before the local option sales tax is effective but delivery of the item is made afterwards in a taxing jurisdiction, the local option tax is due.

Vending Machines

The location of a vending machine is the place of sale for determining if local option sales tax applies.

Sales Tax On Services

Local option sales tax is imposed on a taxable service if the service is rendered, furnished, or performed within a local option sales tax jurisdiction. If a taxable service is substantially performed within a taxing jurisdiction, local option sales tax is due on the entire amount billed to the customer, unless the portion of the service not subject to tax is separately stated, separately billed and is reasonable in amount. If a service is billed for a period which is partially during a time when there is no local option tax and partially during a time when there is a local option tax, the *date* of the billing is used to determine whether local option tax is imposed. All billings dated on and after imposition of the tax are subject to the tax.

Goods Consumed

If a person who purchases items for resale or processing withdraws those items from inventory or from stock, the purchase price of the items is subject to local option sales tax if the items are withdrawn in a taxing jurisdiction.

Construction Contractors

Owners, contractors, subcontractors or builders purchasing building materials, supplies and equipment for the erection of buildings or the

alteration, repair or improvement of real property must pay local option sales tax if they take delivery in a taxing jurisdiction.

In the case of contractors, subcontractors or builders who are also retailers, local option sales tax is imposed if they withdraw building materials, supplies and equipment from inventory in a taxing jurisdiction for construction purposes.

Construction contractors may apply for refund of additional local option sales tax paid as a result of the imposition of or an increase in the rate of local option tax if the following circumstances exist:

- 1) The additional tax is paid on tangible personal property incorporated into an improvement to real estate in fulfillment of a written construction contract fully executed prior to the date local option sales tax is imposed or its rate increased, and
- 2) The contractor has paid the full amount of both state and local option sales tax due to the Department or to a retailer, and
- 3) The claim is filed on forms provided by the Department within six months of the date on which the contractor paid the tax.

The refund is not applicable to equipment transferred under a mixed construction contract.

Utilities

The address of the customer, or “subscriber,” is used to determine whether local option sales tax is due on the purchase of utility services or property. Delivery of gas and water occurs and the services of electricity, heat, solid waste (non-residential commercial), sewer (non-residential commercial), communication and pay television are rendered, furnished, or performed at the subscriber’s address.

Short Term Motor Vehicle Rental

In order for local option sales tax to apply, the motor vehicle must be transferred to the customer in a local option jurisdiction and payment for the rental must be made in the local option jurisdiction.

WHAT IS NOT TAXED?

- The sale of lottery tickets or shares
- The sale of motor fuel and special fuel
- The rental of rooms subject to hotel/motel tax
- The sale of natural gas or electrical energy subject to a city franchise fee or user fee
- The sale of equipment by the State Department of Transportation

OUT-OF-STATE RETAILERS

A retailer with a physical presence (nexus) in Iowa who makes deliveries into Iowa must collect Iowa sales tax. If these transactions occur in a local option jurisdiction, local option sales tax also applies.

Nexus includes maintaining a warehouse in a local option sales tax jurisdiction, having an agent in a taxing jurisdiction either permanently or temporarily, installing property, performing construction activities or service work in a jurisdiction or regularly delivering products into a jurisdiction.

PENALTY AND INTEREST

If a merchant fails or refuses to collect local option sales tax, penalties associated with the nonpayment are the same as those for state sales tax. Failure to file returns or to remit tax timely is a serious matter. The Department will assess penalty and interest on the tax due. In addition to penalties, recurring failure to file returns or pay tax timely will result in the Department imposing a bond or revoking the sales tax permit.

KEEPING RECORDS

Retailers need to keep records of local option taxes grouped only by county. It is not necessary to maintain records by individual city or other jurisdictions.

FOR MORE INFORMATION

If you have questions about local option sales tax, please contact us for more information:

Iowa Department of Revenue and Finance
• Taxpayer Services
P.O. Box 10457
Des Moines, Iowa 50306-0457

515/281-3114
(local, out of state)

1-800-367-3388
(Iowa, Omaha, Rock Island/Moline)

INTERNET
<http://www.state.ia.us/government/drf>

E-MAIL
IADRF@IADRF.E-MAIL.COM

COMPUTER BULLETIN BOARD
515/281-3248 (local, out of state)
1-800-972-2028 (in Iowa)

FORMS
Receive by mail:
515/281-7239 (local, out of state)
1-800-532-1531 (in Iowa)

Receive by fax:
1-800-572-3943 (in Iowa)

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