

**REVENUE DEPARTMENT[701]**

**Notice of Intended Action**

**Proposing rule making related to personal transportation service and providing an opportunity for public comment**

The Revenue Department hereby proposes to amend Chapter 26, “Sales and Use Tax on Services,” Iowa Administrative Code.

*Legal Authority for Rule Making*

This rule making is proposed under the authority provided in Iowa Code section 421.14.

*State or Federal Law Implemented*

This rule making implements, in whole or in part, Iowa Code sections 423.2 and 423.3 as amended by 2018 Iowa Acts, Senate File 2417.

*Purpose and Summary*

This rule making proposes to implement changes to the taxability of personal transportation services made by division XI of 2018 Iowa Acts, Senate File 2417. This rule making defines personal transportation service, addresses sourcing of personal transportation service, and describes the applicable exemptions.

*Fiscal Impact*

This rule making has no fiscal impact beyond the impact estimated by the Legislative Services Agency for 2018 Iowa Acts, Senate File 2417. That estimate predicts that in FY 2019, the taxation of “ride sharing services” as enacted in Senate File 2417 will result in increased revenue of \$3.5 million and, by FY 2024, will result in increased revenue of \$18.7 million.

*Jobs Impact*

After analysis and review of this rule making, no impact on jobs has been found.

*Waivers*

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any, pursuant to rule 701—7.28(17A).

*Public Comment*

Any interested person may submit written or oral comments concerning this proposed rule making. Written or oral comments in response to this rule making must be received by the Department no later than 4:30 p.m. on November 27, 2018. Comments should be directed to:

Joe Fraioli  
Department of Revenue  
Hoover State Office Building  
P.O. Box 10457  
Des Moines, Iowa 50306  
Phone: 515.725.4057  
Email: [joe.fraioli@iowa.gov](mailto:joe.fraioli@iowa.gov)

### Public Hearing

If requested, a public hearing at which persons may present their views orally or in writing will be held as follows:

November 27, 2018  
1 to 2 p.m.

Auditorium  
Wallace State Office Building  
Des Moines, Iowa

Persons who wish to make oral comments at the public hearing may be asked to state their names for the record and to confine their remarks to the subject of this proposed rule making.

Any persons who intend to attend the public hearing and have special requirements, such as those related to hearing or mobility impairments, should contact the Department and advise of specific needs.

#### *Review by Administrative Rules Review Committee*

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rule-making action is proposed:

Rescind rule 701—26.80(422,423) and adopt the following **new** rule in lieu thereof:

#### **701—26.80(422,423) Personal transportation service.**

**26.80(1) Personal transportation service defined.** “Personal transportation service” means the arrangement or provision of transportation of a person or persons for consideration, regardless of whether the person or entity providing such service supplies or uses a vehicle in conjunction with the service. “Personal transportation service” includes, but is not limited to, the following:

*a.* Transportation services provided by a human driver, including but not limited to drivers with a Class C, Class D endorsement 3, or Class M license, or by a chauffeur as defined in Iowa Code section 321.1(8). Examples of such services include, but are not limited to, taxi services, driver services, limousine services, bus services, shuttle services, and rides for hire;

*b.* Transportation services provided by a nonhuman driver, autonomous vehicle, or driverless vehicle; and

*c.* Ride sharing services, including but not limited to prearranged rides as defined in Iowa Code section 321N.1(4).

**26.80(2) Tax imposed; sourcing.** On and after January 1, 2019, the sales price from rendering, furnishing, or performing a personal transportation service in Iowa is subject to Iowa sales tax. The tax is imposed if the personal transportation service is first used in Iowa and is sourced to the location at which the service is first received.

EXAMPLE: R schedules a personal transportation service while at R's residence in Des Moines. R schedules the transportation service to transport R from Grinnell to Iowa City. R independently travels to Grinnell, where R enters a vehicle owned by the transportation service. The transportation service takes R from Grinnell to Iowa City, where the service ends and R pays for the service. The sale is sourced to Grinnell, the location at which R first received the transportation service. The transportation service must charge sales tax and the applicable local option tax in Grinnell, even though R scheduled the service while in Des Moines and the service concluded and payment was made in Iowa City.

**26.80(3) No tax imposed on interstate motor carrier transportation service.** Where a personal transportation service involves interstate travel by a motor carrier as defined in 49 U.S.C. Section 13102(14), no tax shall be imposed on the transaction to the extent prohibited by 49 U.S.C. Section 14505.

**26.80(4)** *Exemption for transportation services furnished by a qualified public transit system, medical transportation service, or paratransit service.* The sales price from sales of transportation services by public transit systems, medical transportation services, or paratransit services is exempt from tax. For purposes of the exemption under Iowa Code section 423.3(105) as enacted in 2018 Iowa Acts, Senate File 2417, section 188, the following definitions shall apply:

*“Medical transportation”* means a personal transportation service for an individual to travel to a health care provider for the individual’s medical care. Medical transportation is not limited to transportation services for immediate life-threatening or serious injuries.

*“Paratransit service”* means a personal transportation service provided to individuals with disabilities.

*“Public transit system”* means a public transit system as defined in Iowa Code section 324A.1(4).

This rule is intended to implement Iowa Code sections 423.2(6) “ac” and 423.3(105) as enacted in 2018 Iowa Acts, Senate File 2417.