

REVENUE DEPARTMENT[701]

Adopted and Filed

Rule making related to barbering, cosmetology, and esthetics

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

Legal Authority for Rule Making

This rule making is adopted 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 423.36 and 2020 Iowa Acts, Senate File 155.

Purpose and Summary

In 2020 Iowa Acts, Senate File 155, the Legislature enacted a change to the definition of “barbershop” in Iowa Code section 158.1 to allow for barber shops to be “readily movable.” Iowa Code section 423.2(6)“g” lists “barber and beauty” among the services subject to sales tax in Iowa. The Department has an existing rule regarding the practice of barbering and beauty that provides sales tax permit requirements for persons providing those services.

The Department reviewed this rule following the enactment of 2020 Iowa Acts, Senate File 155, and determined updates are appropriate. This rule making removes the explanation of activities included in the phrase “barber and beauty” and instead refers to the definitions of “barbering,” “cosmetology,” and “esthetics” from the Iowa Code chapters that govern the practices of those professions. This rule making also adds a definition of “barbershop” to capture the change made in Senate File 155. Additional changes include updating Iowa Code references and replacing the term “gross receipts” with “sales price” in accordance with revisions made to the Iowa Code since the last time this rule was updated.

Public Comment and Changes to Rule Making

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on December 16, 2020, as **ARC 5317C**. No public comments were received. No changes from the Notice have been made.

Adoption of Rule Making

This rule making was adopted by the Department on February 23, 2021.

Fiscal Impact

This rule making has no fiscal impact to the State of Iowa. No fiscal estimate was associated with 2020 Iowa Acts, Senate File 155.

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).

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).

Effective Date

This rule making will become effective on April 28, 2021.

The following rule-making action is adopted:

Amend rule 701—26.9(422) as follows:

701—26.9(422 433) Barber and beauty.

26.9(1) *Services subject to sales tax.* Persons engaged in the business of ~~hair cutting, hair styling, hair coloring, wig care, manicuring, pedicuring, applying facial and skin preparations, and all like activities which tend to enhance the appearance of the individual~~ barbering and beauty are rendering, furnishing, or performing a service, the ~~gross receipts from sales price of which are~~ is subject to tax.

26.9(2) *Definitions.*

"Barbering" means the same as defined in Iowa Code section 158.1.

"Barbershop" means the same as defined in Iowa Code section 158.1.

"Beauty" means the same as "cosmetology" and "esthetics" as those terms are defined in Iowa Code section 157.1.

26.9(3) *Sales tax permits.*

a. Each "barber, beauty or other beautification shop or establishment" shall receive only one permit and remit tax as one enterprise, when operated under a common management.

b. When an operator leases space and is an independent operator, the lessee shall notify the department and secure a sales tax permit whereby the lessee will be responsible directly for the sales tax due. In order to be considered independent, the lessee must also be independent from the lessor for the purposes of withholding of income tax, unemployment compensation, and social security taxes.

26.9(4) *Leasing.* The lessor who has leased a part of the premises shall report to the department the names and addresses of all lessees. If the lessor is accounting for the lessee's sales, the lessor shall, after the name of each lessee, show the amount of net taxable sales made by the lessee on each report to the department, and which net taxable sales are included in the lessor's return. See also rule 701—15.11(422,423).

This rule is intended to implement Iowa Code ~~section 422.43~~ sections 423.2(6) "g" and 423.36.

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EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 3/24/21.