

REVENUE DEPARTMENT[701]

Adopted and Filed

Rule making related to vehicles subject to registration

The Revenue Department hereby rescinds Chapter 34, “Vehicles Subject to Registration,” Iowa Administrative Code, and adopts a new Chapter 34 with the same title.

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 section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

Purpose and Summary

In 2008, the Legislature moved the then-use tax imposed on vehicle registration to Iowa Code section 321.105A and renamed it the “fee for new registration.” The Iowa Department of Revenue (IDR) and the Iowa Department of Transportation (DOT) often field questions about confusing provisions from taxpayers seeking to register their vehicles as well as from county treasurers tasked with collecting the fee. IDR received input from DOT before submitting revisions to Iowa Code section 321.105A to the Legislature. The revisions were included in 2021 Iowa Acts, Senate File 366, which was enacted by the Legislature, was signed into law by Governor Reynolds, and became effective July 1, 2021.

IDR’s existing rules on vehicle registration have not been updated since the 2008 legislation noted above and thus are out of date and in need of revision. IDR prepared this rule making in conjunction with the legislative changes enacted in 2021 Iowa Acts, Senate File 366. This new Chapter 34 is significantly updated from the existing chapter and includes many examples to provide guidance for taxpayers looking to register a vehicle and for country treasurers collecting the fee. Once these rules are in effect, all parties should discontinue the use of the UT-510 manual as guidance and refer to these rules instead.

Public Comment and Changes to Rule Making

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on July 14, 2021, as **ARC 5782C**. IDR received comments on the Notice from the DOT, and IDR made changes in response to most of those suggestions. The changes made from the Notice are as follows:

- The reference to “doc fees” in paragraph 34.2(1)“d” was adjusted to clarify that “doc fees” are not the only fees imposed by a dealer that are excluded from the purchase price of a vehicle.
- Reference to the DOT was added to subrule 34.2(3) to allow the DOT to request additional documentation to establish a purchase price. Additionally, to allow for county treasurers and others impacted by the change time to adjust their processes, the requirement that a bill of sale be provided to establish the purchase price of a vehicle in subrule 34.2(3) will take effect January 1, 2022.
- The term “relatives” in subrule 34.3(2) was changed to “family members” to be consistent with language in the Iowa Code.
- Additional explanation was added to subrule 34.10(1) to note that the DOT’s title and registration application is an affidavit for purposes of the rule and related Iowa Code provision.
- Subrule 34.10(4) mentioned acceptance of signature stamps on affidavits received by the DOT, but this reference has been removed as the DOT does not accept signature stamps.
- Subrule 34.17(2) did not include reference to taxes or fees paid in other countries though the Iowa Code section the rule implements added that language, so it was added to the subrule.

Adoption of Rule Making

This rule making was adopted by the Department on August 27, 2021.

Fiscal Impact

This rule making has no fiscal impact to the State of Iowa. There was no fiscal note for 2021 Iowa Acts, Senate File 366.

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 October 27, 2021.

The following rule-making action is adopted:

Rescind 701—Chapter 34 and adopt the following **new** chapter in lieu thereof:

CHAPTER 34

VEHICLES SUBJECT TO REGISTRATION

701—34.1(321) Definitions.

“*Dealer*” means the same as defined in Iowa Code section 321.1(17).

“*Directly and primarily used in recycling*” means the same as defined in rule 701—230.19(423).

“*Optional service agreement*” means an arrangement to prepay or pay for a predetermined price for future vehicle services, including but not limited to oil changes and tire rotation.

“*Regular course of business*” means the activities that a person normally engages in as part of managing the person's trade or business. If referring to a dealer licensed under Iowa Code section 322.7, “regular course of business” further includes only the make or makes of new vehicles listed on the dealer's license.

“*Single-member LLC*” means a limited liability company (LLC) of which income is reported on Schedule C of the owner's personal income tax return. A single-member LLC shall be treated as a sole proprietorship.

“*Vehicle protection package*” means services including but not limited to exterior paint protection; interior fabric, leather, and vinyl protection; rust proofing; and undercoating that are purchased at the time the vehicle is purchased.

“*Vehicle subject to registration*” means any vehicle subject to registration pursuant to Iowa Code section 321.18.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.2(321) Purchase price.

34.2(1) “Purchase price” means the same as defined in Iowa Code section 321.105A(2) “a” and does not include:

- a. Cash discounts.
- b. Allowances for the trade-in of a vehicle subject to registration, as further outlined in rule 701—34.3(321).
- c. Gasoline, if separately itemized.
- d. Fees imposed by the dealer for document processing, including but not limited to those commonly known as “doc fees.”
- e. Any manufacturer’s cash rebate to a purchaser which is applied to the purchase price of a vehicle.
- f. Optional service agreements, if separately itemized.
- g. Vehicle protection plans, if separately itemized.
- h. Costs listed under Iowa Code section 423.1(51) “a.”

34.2(2) “Purchase price” shall, by way of example and not limitation, include, if valued in money, whether or not paid in money:

- a. Accessories.
- b. Additional equipment.
- c. Services.
- d. Freight and manufacturer’s tax, valued in money.
- e. In-kind compensation.
- f. Costs listed under Iowa Code section 423.1(51) “b.”

EXAMPLE: Person A is a shareholder and employee in Corporation. In the months of April through November, Person A worked a substantial amount of overtime. In December, Corporation allowed Person A to choose whether to be paid for the overtime by receiving additional wages or by taking title to a corporate vehicle. Person A chose to take the vehicle, and Corporation transferred the title of the vehicle to Person A. The transfer of the vehicle to Person A was “in-kind” compensation paid by Corporation to Person A for the overtime hours worked. This compensation constitutes consideration. The fee for new registration is due on the amount of overtime pay that would be due had Person A opted to be paid.

34.2(3) Beginning January 1, 2022, a bill of sale, or equivalent documentation, is required to establish purchase price. The bill of sale, or equivalent documentation, must be signed by the seller. The county treasurer, department of transportation, or department may require additional or alternative documentation as necessary to sufficiently establish purchase price.

34.2(4) In case of doubt related to the purchase price, the county treasurer or the department of transportation shall collect the fee. A claim for refund may be filed by the taxpayer if the taxpayer believes the fee has been erroneously collected.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.3(321) Trades.

34.3(1) *Trades, generally.*

a. A trade-in allowance is excluded from the purchase price only if the requirements of Iowa Code section 321.105A(2) “a”(2)(c) are met.

EXAMPLE A: Person D has an automobile with a value of \$5,000. Person E also has an automobile valued at \$5,000. They decide to trade automobiles. Person D and Person E make an even trade, automobile for automobile, with no money changing hands. The fee for new registration is not due on either automobile because the exchange is even in value.

EXAMPLE B: Person B has an automobile with a value of \$2,000. Person C has an automobile valued at \$3,500. Person B and Person C decide to trade automobiles. Person B pays Person C \$1,500 in cash for the difference in value. Person B will pay the fee for new registration on \$1,500. Person C will not pay the fee for new registration because the trade-in allowance reduces the purchase price to \$0.

EXAMPLE C: Person F has an automobile with a value of \$5,000. Person G has an automobile valued at \$3,000 and a forklift valued at \$2,000. The forklift is not a vehicle subject to registration. They decide to trade these three items. An even trade is made, Person F's automobile in exchange for Person G's automobile and forklift, with no money changing hands. Thus, Person G cannot receive a trade-in allowance for the forklift against the \$5,000 purchase price of Person F's automobile. Person G will, however, receive a trade-in allowance on the value of the automobile, a vehicle subject to registration. Therefore, Person G will pay a fee for new registration on \$2,000. Person F will not pay the fee for new registration because the trade-in allowance reduces the purchase price to \$0.

b. Unless otherwise excluded, a trade-in allowance is excluded from the purchase price only if the person(s) listed on the title of the traded vehicle are the same as the person(s) listed on the newly acquired vehicle. See Iowa Code section 321.105A(2).

EXAMPLE: Person H and Person I are unrelated and, together, own a vehicle subject to registration. The owner on the title of the vehicle is listed as "Person H or Person I." Person I trades in the vehicle toward the purchase of a new vehicle to be owned together by Person I and Person J, also unrelated. The owner on the title of the new vehicle is listed as "Person I or Person J." The trade-in allowance is not allowed against the purchase price because Person J is not one of the persons on the original vehicle title.

34.3(2) *Trades involving family members under Iowa Code section 321.105A(2) "a"(2)(c)(ii).* This allowance is only for lineal relationships and does not extend to nonlineal family members. Consequently, this allowance is not extended to brothers, sisters, aunts, uncles, or cousins.

EXAMPLE A: Grandmother and Grandfather are married and own a vehicle subject to registration together. The owner on the title of the vehicle is listed as "Grandmother or Grandfather." Grandmother trades in the vehicle toward the purchase of a new vehicle. The owner on the title of the new vehicle is listed as "Grandmother or Grandson." The trade-in allowance is allowed against the purchase price because all parties are lineal family members.

EXAMPLE B: Aunt and Uncle are married and own a vehicle subject to registration together. The owner on the title of the vehicle is listed as "Aunt or Uncle." Aunt trades in the vehicle toward the purchase of a new vehicle. The owner on the title of the new vehicle is listed as "Aunt or Niece." The trade-in allowance is not allowed against the purchase price because Niece is not a lineal family member of Aunt or Uncle.

34.3(3) *Trades involving an entity.*

a. When an entity is involved, the names on the title of the trade-in and newly acquired vehicle generally must be the same, except for sole proprietorships, which are not distinguished from the individual owner.

b. A trade-in credit is not allowed when a corporate vehicle owner trades a vehicle subject to registration in on behalf of a stockholder to purchase a new vehicle in the stockholder's name, or vice versa.

EXAMPLE A: Corporation S owns a vehicle subject to registration. The owner on the title of the vehicle is listed as "Corporation S." Corporation S trades the vehicle in for a new vehicle of equivalent value, which is titled in the name of "Stockholder G." Stockholder G must pay the fee for new registration on the value of the new vehicle because no trade-in allowance is allowed.

EXAMPLE B: Business, Inc. and Person K own a vehicle subject to registration. The owner on the title of the vehicle is listed as "Business, Inc. or Person K." Person K trades in the vehicle toward the purchase of a new vehicle. The owner on the title of the new vehicle is listed as "Person K." The trade-in allowance is allowed against the purchase price because the original title is listed as "or" ownership and the received vehicle title contains only parties that were on the traded vehicle title.

34.3(4) *Trades involving a dealer.*

a. The dealer must be regularly engaged in the business of selling the type of vehicles involved in the trade.

EXAMPLE A: Person L trades a boat toward the purchase of a new vehicle subject to registration. The vehicle's purchase price is \$10,000, and the dealer allows a trade-in allowance of \$5,000 for the boat. The dealer is not regularly engaged in the business of selling boats. The trade-in amount of \$5,000 for the boat does not reduce the amount subject to the fee for new registration because the traded vehicle

is not one that the dealer sells in the regular course of business. The fee for new registration is due on \$10,000.

EXAMPLE B: Person M is purchasing a new vehicle subject to registration for \$40,000 and trades in a combine. The dealer is regularly engaged in the business of selling both vehicles subject to registration and farm equipment. The dealer allows a trade-in of \$30,000 for Person M's combine. Therefore, the price of the vehicle is \$40,000 minus the \$30,000 trade-in allowance. Person M pays the dealer the difference of \$10,000. Since the dealer is regularly engaged in the business of selling farm equipment, the \$30,000 trade-in allowance is not included in the purchase price. The fee for new registration is due on \$10,000.

EXAMPLE C: Person N purchases a new truck and uses a truck that Person N currently owns as a trade. Person N goes to Truck Dealer to purchase the new truck. The truck that Person N wants has to be ordered from the manufacturer and will take six months for delivery. Truck Dealer prepares a purchase order showing the retail price of \$50,000 and a trade-in allowance for Person N's truck of \$20,000. Since the truck being ordered will not be delivered for six months, Truck Dealer allows Person N to drive the traded truck until the new truck arrives. Truck Dealer still allows Person N the \$20,000 trade-in allowance regardless of the additional miles Person N may put on the traded truck. Since the purchase order for the new truck shows a \$20,000 trade-in allowance, the fee for new registration is imposed on \$30,000.

EXAMPLE D: Person O owns a car dealership corporation and a separate farm tractor dealership corporation. Person P wishes to purchase a car worth \$40,000 from Person O's car dealership. Person P uses a tractor as trade, and Person O's car dealership allows a trade-in allowance of \$40,000. Person P furnishes no money. Since Person P's tractor was traded to the car dealership and not the tractor dealership, the trade-in allowance cannot be used for purposes of the fee for new registration. The fee for new registration is imposed on \$40,000.

EXAMPLE E: Person Q owns two cars and wants to trade both cars toward the purchase of a new car. Car Dealer allows a trade-in allowance of \$5,000 for the first car and \$7,000 for the second car, for a total trade-in allowance of \$12,000. The purchased car price is \$14,000. Since Car Dealer is in the business of selling used cars, both of Person Q's cars can be used as a trade-in allowance. The fee for new registration is imposed on \$2,000.

b. For purpose of the fee for new registration, the total trade-in amount will be deducted from the purchase price, even if the trade-in is used to pay off an outstanding loan balance. The amount the purchaser owes on the traded-in vehicle is not relevant in determining the purchase price of the new vehicle.

EXAMPLE A: Person D purchases a vehicle for \$35,000 and trades in a vehicle as part of the transaction. The dealer gives a trade-in amount of \$15,000 based on the actual value of the vehicle being traded. Person D still owes \$10,000 on the traded vehicle. A portion of the \$15,000 trade-in value is used to pay off the \$10,000 remaining loan balance. In this example, \$15,000 is allowed as a trade for fee for purposes of the new registration.

EXAMPLE B: Person E "trades down" a car by purchasing a vehicle for \$20,000 and trades in a vehicle valued at \$30,000. Person E also has a loan on the vehicle being traded in. The car dealership may give enough of a trade-in allowance to pay off the loan and have money left over to pay on the new vehicle. Even though the trade-in allowance may be quite large, the full amount of the trade should be allowed for purposes of the fee for new registration. In this case, the trade-in allowance is \$30,000, and since that exceeds the price of the new vehicle, no fee for new registration is due.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.4(321) Manufacturer's rebate.

34.4(1) A manufacturer's rebate can be used to reduce the purchase price of a vehicle subject to the fee for new registration. To qualify, all of the following must be present:

- a.* A rebate must be a return of an amount that the purchaser would otherwise have paid;
- b.* The rebate must be in the form of money;

- c. The rebate must be offered by a manufacturer licensed under Iowa Code section 322.27;
- d. The rebate must be applied to the purchase price of the vehicle;
- e. The rebate is strictly a transaction between a manufacturer and a purchaser.

(1) The rebate must be from an entity acting as a manufacturer of such vehicle being purchased when offering the rebate. The rebate cannot be from a vehicle manufacturer engaging in other activities, such as a manufacturer acting in the capacity of a credit card issuer or a financing program; and

(2) The purchaser must be in the process of purchasing the vehicle when the rebate is given. The rebate cannot be given to a customer in a situation similar to the credit card rebate program, in which the customer earns the right to the rebate over a period of time. Purchase of the vehicle must occur simultaneously with the receipt of the rebate, and the rebate cannot be allowed unless the customer purchases the vehicle.

34.4(2) Payment methods, such as credit or debit cards, issued by vehicle manufacturers that are used as a rebate toward the price of the manufacturer's vehicle are not considered a manufacturer's rebate for the purposes of the fee for new registration. These types of rebates cannot be used toward reducing the purchase price of a vehicle subject to the fee for new registration.

EXAMPLE: Person R purchases a vehicle subject to registration with a purchase price of \$30,000 and trades in a vehicle valued at \$10,000. The manufacturer of the newly purchased vehicle gives Person R \$1,000 on a manufacturer-issued credit card as a "rebate." Person R pays \$19,000 in cash for the new vehicle. The fee for new registration is due on \$20,000, because the "rebate" was issued on a credit card rather than applied directly to the price.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.5(321) Selling and purchasing the same vehicle. If a person sells a vehicle subject to registration and then buys the same vehicle back, the transaction is not exempt from the fee for new registration. These are two separate transactions, and both are subject to the fee for new registration.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.6(321) Federal excise tax. To be excluded from the fee for new registration, the federal excise tax must meet both of the following requirements:

34.6(1) It must be imposed upon the purchaser and be due at the time of the retail sale.

34.6(2) It must be billed or charged as a separate item.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.7(321) Sales to a Native American. If a dealer delivers a vehicle to a resident Native American on a reservation and, at a later time, the resident Native American registers the vehicle at the county treasurer's office, the fee for new registration is not due since the delivery took place on a reservation.

34.7(1) If the vehicle is delivered off a reservation, the fee for new registration is due even if the sole use of the vehicle is on a reservation.

34.7(2) If delivery takes place on a reservation, but the owner is not a member of any federally recognized tribe, the fee for new registration is due.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.8(321) Sale of chassis with added equipment or accessories.

34.8(1) If a dealer sells a chassis and the purchaser has the dealer install any equipment, the fee for new registration is due on the full purchase price, including the chassis and the equipment. This is a completed vehicle when driven off the dealer's lot.

34.8(2) If the chassis is purchased from a dealer and the equipment is installed by the purchaser from a third party, the fee for new registration is due on the chassis and sales tax is due on the equipment.

EXAMPLE A: Business S purchases a chassis from an auto dealer for \$20,000. Business S wants a lift added to the chassis. The auto dealer agrees to sell and install the lift for \$15,000. The auto dealer takes the chassis to a lift dealer for purchase and installation of the lift. After the installation, Business S returns to the auto dealer to take delivery of the completed vehicle. Business S requests the auto dealer itemize the chassis price of \$20,000 and the lift price of \$15,000. Business S pays the auto dealer \$35,000 for the complete vehicle. The chassis and lift together are a vehicle subject to registration, because both constitute the completed vehicle, and the fee for new registration is due on \$35,000.

EXAMPLE B: Business T purchases a chassis from an auto dealer for \$20,000. Business T wants a lift added to the chassis. However, Business T will purchase the lift from a third party and not from the auto dealer. Business T pays the dealer \$20,000 for the chassis. Business T drives the chassis to a lift dealer to purchase and install a lift for \$12,000. The purchase of the chassis from the auto dealer is subject to the fee for new registration because it alone constitutes the completed vehicle purchased. The purchase and installation of the lift from the lift dealer are subject to Iowa sales tax and any applicable local option tax, rather than the vehicle fee for new registration.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.9(321) Sale of a boat or ATV with a trailer.

34.9(1) If a boat or ATV dealer sells a boat or ATV with a trailer as a packaged deal, the dealer must itemize the boat or ATV, boat or ATV accessories, and trailer. The fee for new registration is due on the purchase price of the trailer.

34.9(2) If the boat or ATV dealer does not itemize, it is assumed the full price of the packaged deal is for the purchase of a trailer and not for the boat or ATV and accessories. The fee for new registration will be calculated based on the full price of the packaged deal.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.10(321) Administration.

34.10(1) Vehicle registrants may utilize either a paper or electronic affidavit as a method of submission. The title and registration application created under Iowa Code section 321.20 is an affidavit for purposes of this rule.

34.10(2) Exemptions shall be divided into eight categories as follows:

- a. UT01 - Iowa Code section 321.105A(2)“c”(19) and 321.105A(2)“c”(20).
- b. UT02 - Iowa Code section 321.105A(2)“c”(1).
- c. UT03 - Iowa Code section 321.105A(2)“c”(3) and 321.105A(2)“c”(12).
- d. UT04 - Iowa Code section 321.105A(2)“c”(14).
- e. UT05 - Iowa Code section 321.105A(2)“c”(6).
- f. UT06 - Iowa Code section 321.105A(2)“c”(2).
- g. UT07 - Iowa Code section 321.105A(2)“c”(5).
- h. UT08:
 - (1) UT08b - Iowa Code section 321.105A(2)“c”(10).
 - (2) UT08c - Iowa Code section 321.105A(2)“c”(8).
 - (3) UT08d - Iowa Code section 321.105A(2)“c”(16).
 - (4) UT08e - Iowa Code section 321.105A(2)“c”(7).
 - (5) UT08i - Iowa Code section 321.105A(2)“c”(18).
 - (6) UT08j - Iowa Code section 321.105A(2)“c”(13).
 - (7) UT08k - Iowa Code section 321.105A(2)“c”(11).
 - (8) UT08s - Iowa Code section 321.105A(2)“c”(17).
 - (9) UT08 - Other - Iowa Code section 321.105A(2)“c”(4), 321.105A(2)“c”(9), 321.105A(2)“c”(15), and 321.105A(2)“c”(21) to 321.105A(2)“c”(31).

34.10(3) The burden of proof regarding whether an exemption applies is upon the person claiming the exemption.

34.10(4) Signatures are required on all affidavits. If a fleet (five or more vehicles) of vehicles is being registered, an affidavit for each vehicle within the fleet must be completed and signed.

34.10(5) Any claim for exemption from the fee for new registration made by a purchaser with a county treasurer is subject to review and ultimate determination by the department. If, after review, an exemption is found to have been claimed improperly, penalty and interest may apply in addition to the fee for new registration.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.11(321) Shell businesses.

34.11(1) The 90-day temporary period of operation under Iowa Code section 321.55(2) does not apply to a vehicle owned by a shell business.

34.11(2) Factors that indicate a business is a shell business include, but are not limited to, a lack of specific business activity or purpose and failure to maintain a physical location in the state in which the business is registered.

34.11(3) If the department determines that the nonresident owner of the vehicle is a shell business, it is presumed that:

- a. The Iowa resident in control of the vehicle is the actual owner of the vehicle;
- b. The vehicle is subject to Iowa registration; and
- c. The payment of the fee for new registration is owed by the Iowa resident.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.12(321) Purchased for resale.

34.12(1) A motor vehicle dealer licensed under Iowa Code chapter 322 may title or title and register a vehicle using an exemption under either Iowa Code section 321.105A(2)“c”(14) or 321.105A(2)“c”(15) if the vehicle is operated in a manner consistent with the lawful use of dealer plates under Iowa Code section 321.57 and any associated rules.

34.12(2) In order for a vehicle to be considered to be “held for resale,” all of the following criteria must be met during all times that the vehicle is registered to the dealer:

- a. The dealer must be licensed in Iowa pursuant to Iowa Code chapter 322;
- b. Any use of the vehicle by the dealer must not constitute a taxable sale;
- c. The dealer must keep the vehicle in its inventory for sale at all times;
- d. The person using the vehicle must be aware of and accept that the vehicle may be sold at any time, resulting in the removal of the vehicle from that person’s possession;
- e. The dealer must permit the vehicle to be used without charge;
- f. The dealer must not title the vehicle in its name and must operate the vehicle with dealer plates as provided in Iowa Code section 321.57.

34.12(3) If, at any time after the exemption is issued until the vehicle is no longer considered to be in the dealer’s inventory, the dealer fails to maintain any criteria defined in subrule 34.12(2), the fee for new registration is due on the purchase price paid by the dealer at the time of acquisition of the vehicle.

34.12(4) If a dealership license expires and is not renewed or the dealer license has been revoked, the dealer must title and register all the vehicles in the dealership inventory within 30 days of the license revocation or expiration. The fee for new registration is due on the purchase price paid by the dealer at the time of acquisition of each vehicle. However, if a dealer license is suspended, a dealer is not required to title or register the vehicles in the dealer’s inventory because a suspension is merely a temporary interruption in the dealership business. The dealer’s exemption remains intact during the period of suspension.

EXAMPLE: Person R owns Auto Dealer, a sole proprietorship. Person R’s child, Person U, needs a car, and Person R gifts a car worth \$5,000 from Auto Dealer’s inventory to Person U. The vehicle had previously been registered as a vehicle purchased for resale. Person U does not provide any consideration. Person U does not owe the fee for new registration on the transfer. However, Auto

Dealer owes the fee for new registration on the purchase price paid by Auto Dealer at the time of acquisition. The vehicle was purchased for resale; however, it was not sold by Auto Dealer. As a result, Auto Dealer loses its dealer exemption for resale on this vehicle, and the fee for new registration is due on the purchase price paid by the dealer at the time of acquisition of each vehicle.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.13(321) Loans. Relief from a loan balance constitutes consideration for the purposes of the fee for new registration.

EXAMPLE A: A vehicle is titled in Person V's name with a loan also in Person V's name. Person V transfers the title to Person W, who assumes the unpaid balance of the loan. A new lien is filed. The fee for new registration is due on Person V's outstanding loan balance.

EXAMPLE B: A vehicle is titled in Person X's name with an outstanding loan balance of \$10,000. Person X transfers the title to Person Y. Person Y takes out a \$15,000 loan to pay off Person X's outstanding loan of \$10,000 and also to have \$5,000 for repairs to Person Y's house. The fee for new registration is due only on Person X's outstanding loan balance of \$10,000.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.14(321) Leased vehicles.

34.14(1) The fee for new registration on leased vehicles is a liability of the owner (lessor) of the vehicle and not the lessee.

34.14(2) Owners/lessors may require the lessee to reimburse the owner/lessor, by adding the fee for new registration to the monthly lease payment or by requiring the lessee to pay the fee for new registration up front.

34.14(3) When a lessee chooses to terminate a lease and purchase the vehicle being leased, the purchase is subject to a fee for new registration on the purchase price. There is no refund of the fee for new registration paid on the lease price.

34.14(4) If an existing lease is transferred to another lessee, no additional fee for new registration is due so long as the title to the vehicle is maintained by the same lessor and the terms of the lease are not changed.

34.14(5) When a vehicle with an existing lease established in another state is registered in Iowa, the lease price is calculated as established in Iowa Code section 321.105A(3) "b" and then shall be prorated for the number of months remaining on the lease. No credit is allowed for any fee or tax paid to another state.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.15(321) Vehicles purchased for the purpose of being leased and used exclusively for interstate commerce.

34.15(1) The department makes a distinction between a true lease and a contract to haul. While an agreement may be a lease for purposes of the Interstate Commerce Commission, this does not mean it is a lease for purposes of the fee for new registration. A true lease exists when the owner (lessor) gives the lessee exclusive possession of the lessor's property for a specified period. A contract to haul exists when an owner contracts to do a piece of work while retaining control of the vehicle and methods of operation. A contract to haul is not a lease; therefore, the vehicle is not exempt.

34.15(2) An intrastate delivery occurs when property is picked up at one location in Iowa and delivered to another location in Iowa, regardless of whether the vehicle travels in another state in between pick-up and delivery. For example, picking up property in Des Moines and delivering it to Cedar Rapids is an intrastate delivery. Conversely, in an interstate delivery, either the pick-up or delivery site will be located outside of Iowa.

EXAMPLE A: Leasing Company A purchased a cargo van for the purpose of leasing it to XYZ Trucking. The lease agreement is for 36 months. XYZ Trucking will pick up property from Iowa businesses to be delivered out of state. XYZ Trucking never uses the van for intrastate deliveries within Iowa. XYZ Trucking uses this van exclusively in interstate commerce. All of the trips are either totally outside the state of Iowa, or, if a product is loaded in Iowa, the product is delivered outside of Iowa. As long as pick-up and delivery points are in different states, then the trip is considered interstate commerce. As such, the van in this example may be purchased by Leasing Company A exempt from the fee for new registration.

EXAMPLE B: Leasing Company A purchases a flatbed truck for the purpose of leasing it to XYZ Trucking, located within Iowa. The lease is for five months. XYZ Trucking will use the truck for deliveries out of state and in Iowa. Since some deliveries occur in Iowa, the subsequent use in Iowa is not solely for interstate commerce. The purchase by Leasing Company A (lessor) of the flatbed is subject to the fee for new registration.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.16(321) Iowa Code chapter 326 vehicles.

34.16(1) The period for substantiating mileage by the department is fiscal year July 1 to June 30, with an exception if the initial registration period is a short year (less than 12 months). Mileage during that period will be totaled with the first full year for substantiation purposes.

34.16(2) Whether a vehicle is registered prorate or has county plates does not determine eligibility for exemption.

34.16(3) Records must be kept from the first four years of operation of the vehicle for at least ten years to prove the vehicle has consistently been eligible for the exemption. Summary records, such as the monthly or annual records required by the International Fuel Tax Agreement (IFTA), may be kept to prove the mileage requirement was met. Records are required for power units but not for trailers or semi-trailers.

34.16(4) The exempt status of a trailer or semi-trailer is based upon to what it is attached. If attached to an exempt power unit, the trailer or semi-trailer is also exempt.

EXAMPLE A: XYZ Trucking purchased two semi-tractors two years ago. An exemption was claimed because 25 percent of the mileage for each was out-of-state mileage and they met the registered weight requirement. Two years later, XYZ Trucking decided one of the semi-tractors will be used only in Iowa. The registered weight did not change, but the 25 percent out-of-state mileage requirement was not maintained for the first four years, so the exemption no longer applies. XYZ Trucking's book value is \$60,000, and the market value is \$75,000. The book value is less than the market value; the fee for new registration is imposed on the \$60,000 book value.

EXAMPLE B: Two years ago, XYZ Trucking purchased a power unit and a semi-trailer. The power unit was used in excess of the 25 percent mileage requirement and met the 13-ton weight requirement, so an exemption was claimed. They were originally registered prorate. This year, XYZ Trucking decided to register the power unit and semi-trailer with county plates instead of renewing the prorate registration. Although the power unit and semi-trailer will be county-plated, XYZ Trucking will still use the power unit 25 percent outside of Iowa. The registered weight did not change. Since both the 25 percent mileage factor and the 13-ton registered weight factor are met, the fee for new registration is not due.

EXAMPLE C: Two years ago, XYZ Trucking purchased a power unit and a semi-trailer. Both the power unit and semi-trailer were used in excess of the 25 percent mileage requirement and met the 13-ton weight requirement, so an exemption was claimed. The power unit and the semi-trailer were originally registered prorate. This year, XYZ Trucking decided to register the semi-trailer with county plates instead of renewing the prorate registration. The power unit will still be used 25 percent outside of Iowa. The mileage of the semi-trailer does not matter because there is no record-keeping requirement

for trailers or semi-trailers. The registered weight did not change. Since both the 25 percent mileage factor and weight requirements continue to be met, the fee for new registration is not due.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.17(321) Vehicles purchased outside of Iowa.

34.17(1) Vehicles purchased with no intent for use in Iowa.

a. Vehicles that are purchased by a nonresident for use in a location other than Iowa are not subject to the fee for new registration upon move-in to Iowa. The determination of intention of use in Iowa is a factual determination. The county treasurer should consider any appropriate factors including, but not limited to, the following:

(1) Whether the vehicle was owned by the owner for a significant time prior to relocation to Iowa. A longer period of ownership while in another location may be indicative of intent of use in the other location. Conversely, if the vehicle was purchased near the time of relocation to Iowa, this might suggest intent of use in Iowa.

(2) Whether the vehicle was registered in another location.

(3) Whether a substantial number of miles were driven in the vehicle in another location since the owner purchased the vehicle.

b. Vehicles purchased in countries other than the United States of America are not eligible for this exemption.

EXAMPLE: Person A, a resident of Moline, Illinois, purchased a vehicle from a dealership in Chicago, Illinois, one week before Person A moved to Davenport, Iowa. The vehicle was registered in Illinois. Person A was not aware at the time of purchase that Person A’s employer would transfer Person A to Iowa. Person A’s intent was not to use the vehicle in Iowa; therefore, Iowa’s fee for new registration is not due.

34.17(2) Vehicles purchased with intent of use in Iowa. Credit may be allowed for a fee for new registration paid to another state or country. For the credit to apply, the owner must show proof that the owner was legally required to, and did in fact, pay a fee for new registration, a sales/use tax, or an occupational tax to another state or country for the vehicle being registered in Iowa. Evidence of the payment may include, but is not limited to, purchase records, canceled checks, or invoices.

EXAMPLE A: Person L is an Iowa resident. While in Nevada, Person L purchased a new camper for \$20,000. Nevada did not require Person L to pay a state fee for new registration or a state sales, use, or occupational tax. Person L brought the camper back to Iowa. The camper requires an Iowa title and registration. Since no state fee for new registration or state sales, use, or occupational tax was paid to the state of Nevada, Iowa’s fee for new registration is due on the purchase price of \$20,000.

EXAMPLE B: Person Q is an Iowa resident and spends the winter months in Florida. Person Q decides to purchase a new vehicle in Florida for \$35,000. Person Q is required to pay 5 percent Florida state sales tax. Person Q chooses not to title or register the vehicle in Florida. After spending the winter months in Florida, Person Q returns to Iowa and brings the new vehicle. Since Person Q had to pay a 5 percent Florida state sales tax, Person C receives a credit for that amount against Iowa’s fee for new registration.

EXAMPLE C: Iowa resident Person W purchases a vehicle for \$25,000 while in Arizona. Person W was required to pay an Arizona state sales tax of 2 percent and a county tax of 1 percent. Person W returns to Iowa with the vehicle. The bill of sale shows a breakdown as follows:

Purchase Price.....	\$25,000
Arizona State Sales Tax.....	\$500
Arizona County Tax.....	\$250
Total Amount Due.....	\$25,750

When Person W titles and registers the vehicle in Iowa, the 5 percent Iowa fee for new registration would be \$1,250. Person W receives credit only for the Arizona state sales tax of \$500 but not the county sales tax. Iowa fee for new registration is as follows:

Iowa Fee for New Registration.....	\$1,250
Less Arizona State Sales Tax.....	\$500
Iowa Fee for New Registration Due.....	\$750

EXAMPLE D: Iowa resident Person Z purchases an \$80,000 vehicle in California and is required to pay a 9 percent California state sales tax of \$7,200. Person Z returns to Iowa with the vehicle. The bill of sale shows:

Purchase Price.....	\$80,000
California State Sales Tax.....	\$7,200
Total Amount Due.....	\$87,200

When Person Z titles and registers the vehicle in Iowa, the 5 percent Iowa fee for new registration would be \$4,000. Since Person Z paid a California state sales tax of \$7,200, which was more than the Iowa fee for new registration, the Iowa fee for new registration is not due.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.18(321) Business entity to business entity transfers with the same ownership and purpose. Transactions between two business entities may be exempted from the fee for new registration if certain criteria are met, as described in Iowa Code section 321.105A(2)“c”(3).

EXAMPLE A: Person F owns and operates a family farm with Person F’s spouse as a sole proprietorship and wants to transfer assets (including a vehicle subject to registration) from Person F’s personal name into a corporation (of which Person F and Person F’s spouse are the sole shareholders). Person F filed articles of incorporation earlier this year with the secretary of state and intends to use the corporation to continue to operate Person F’s family farm, the same purpose as the sole proprietorship. This transaction is eligible for the exemption described in Iowa Code section 321.105A(2)“c”(3) because the vehicle is being transferred from an eligible business type (sole proprietorship) to a corporation, with the ownership of the businesses being the same and the transaction occurring within two years of the corporation being formed, and the newly formed corporation was formed for the purpose of continuing the family farm business.

EXAMPLE B: Person G wants to start a construction business. Person G currently does not operate any business. Person G files articles of incorporation and wants to transfer a truck from Person G’s personal name into the corporation. This transaction is not eligible for the exemption described in Iowa Code section 321.105A(2)“c”(3) because the purpose of the corporation is not to continue an existing eligible business.

EXAMPLE C: Person H operates a delivery business as a sole proprietorship and wants to expand. Person H gets together with two investors and files articles of incorporation with all three partners as shareholders and wants to transfer a van into the corporation. This transaction is not eligible for the exemption described in Iowa Code section 321.105A(2)“c”(3) because the ownership of the corporation is not the same as the sole proprietorship, since all of the stock of the corporation is not owned by Person H.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.19(321) Homemade vehicles.

34.19(1) For the purposes of the vehicle fee for new registration, a homemade vehicle is one that has been constructed from any combination of new, used, or homemade parts that does not resemble a vehicle that was manufactured under a specific year, make, and model by a manufacturer and is not intended for resale.

34.19(2) Homemade vehicles include:

a. A vehicle that has been structurally modified so that it does not have the same appearance as a similar vehicle from the same manufacturer.

EXAMPLE: A vehicle with modified fenders, engine compartment lid, and front end, but still recognizable as the make/model of the vehicle, is not considered homemade;

b. A vehicle that has been constructed entirely from homemade parts and materials not obtained from other vehicles; or

c. A vehicle that has been constructed by using major component parts from one or more manufactured vehicles and cannot be identified as a specific make and model.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

701—34.20(321,423) Glider kit vehicles. A glider kit vehicle is exempt from the fee for new registration upon sale or transfer by the person who purchased the parts and assembled the vehicle if sales or use tax was paid when the parts were purchased and the vehicle has never been registered previously. A glider kit vehicle would be subject to the fee for new registration, barring other applicable exemptions, if the glider kit vehicle is subsequently sold. Glider kit parts may be eligible for the resale exemption if the purchaser of the parts can satisfy the requirements of rule 701—225.4(423) to qualify for the exemption provided by Iowa Code section 423.3(2).

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366, and Iowa Code section 423.3.

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