

REVENUE DEPARTMENT[701]

Adopted and Filed

Rule making related to sales, use and excise taxes

The Revenue Department hereby renumbers various chapters of the Iowa Administrative Code in accordance with the chart below. The Department additionally hereby rescinds Chapter 16, “Taxable Sales”; amends Chapter 67 [renumbered Chapter 259], “Administration,” Chapter 70, “Replacement Tax and Statewide Property Tax,” Chapter 81 [renumbered Chapter 254], “Administration,” Chapter 86, “Inheritance Tax,” Chapter 91 [renumbered Chapter 262], “Administration of Marijuana and Controlled Substances Stamp Tax,” Chapter 97 [renumbered Chapter 252], “State-Imposed Water Service Excise Tax,” Chapter 103 [renumbered Chapter 253], “State-Imposed and Locally Imposed Hotel and Motel Taxes,” and Chapter 107 [renumbered Chapter 270], “Local Option Sales and Services Tax”; rescinds Chapter 108, “Local Option School Infrastructure Sales and Service Tax”; amends Chapter 120, “Reassessment Expense Fund,” Chapter 122, “Administration,” and Chapter 150, “Federal Offset for Iowa Income Tax Obligations”; adopts new Chapter 210, “Purchases by Businesses,” and new Chapter 212, “Governments and Nonprofits”; amends Chapter 215 [renumbered Chapter 207], “Remote Sales and Marketplace Sales”; adopts new Chapter 216, “Events, Amusements, and Other Related Activities”; amends Chapter 223 [renumbered Chapter 205], “Sourcing of Taxable Services, Tangible Personal Property, and Specified Digital Products,” Chapter 226 [renumbered Chapter 214], “Agricultural Rules,” and Chapter 230 [renumbered Chapter 215], “Exemptions Primarily Benefiting Manufacturers and Other Persons Engaged in Processing”; and rescinds Chapter 241, “Excise Taxes Not Governed by the Streamlined Sales and Use Tax Agreement,” Iowa Administrative Code.

Legal Authority for Rule Making

This rule making is adopted under the authority provided in Iowa Code section 421.17.

State or Federal Law Implemented

This rule making implements, in whole or in part, Iowa Code chapters 423, 423A, 423B, 423C, 423F, 423G, 452A and 453A.

Purpose and Summary

The Iowa Department of Revenue has adopted this rule making to reorganize its chapters of rules related to sales, use, and excise taxes. The Department previously had chapters of rules covering these tax types throughout its many titles. Following adoption of this rule making, all sales, use, and excise tax rules are located in a chapter starting with 200, where the Department’s more recent sales tax rules were already located. This rule making moves any sales or excise tax chapters that will be kept mostly intact substantively into new chapters. Any sales or use tax chapters not moved in this rule making are likely to be significantly revised or be rescinded entirely in future rule makings.

The following table lists existing chapters and identifies their new numbers in this rule making. The list of new chapter numbers does not include new chapters to be adopted either in this rule making or in future rule makings. The Department plans to adopt a rule in the near future to establish a reference table for rules that have been renumbered.

Old Number	Subject	New Number
Ch. 4	Multilevel marketers	Ch. 208
Ch. 27	Vehicle rental excise	Ch. 251
Ch. 34	Vehicle fee for new registration	Ch. 250
Chs. 67-69	Motor fuel excise	Chs. 259-261
Chs. 81-85	Cigarette and tobacco excise	Chs. 254-258
Ch. 91	Controlled substances drug stamps	Ch. 262
Ch. 97	Water service excise	Ch. 252
Ch. 103	Hotel and motel excise	Ch. 253
Ch. 107	LOST	Ch. 270
Ch. 108	SILO	Rescinded
Ch. 109	SAVE	Ch. 271
Ch. 211	Sales tax definitions	Ch. 200
Ch. 212	Elements included or excluded from sales price	Ch. 203
Ch 214	Miscellaneous nontaxable transactions	Ch 221
Ch. 215	Remote and marketplace sales	Ch. 207
Ch. 216	Bundled transactions	Ch. 206
Ch. 223	Sourcing	Ch. 205
Ch. 224	Telecom services	Ch. 217
Ch. 226	Agriculture	Ch. 214
Ch. 230	Manufacturing	Ch. 215
Ch. 231	Exemptions for consumers	Ch. 220 (temporarily; will be split into other chapters in the future)
Ch. 235	Rebate programs	Ch. 275
Ch. 237	Reinvestment districts	Ch. 273
Ch. 238	Flood mitigation program	Ch. 272
Ch. 239	Urban renewal projects	Ch. 274
Ch. 240	Implementation of streamlined sales and use tax agreement	Ch. 204
Ch. 241	General excise taxes	Rescinded
Ch. 242	Response to disasters	Ch. 276
Ch. 250	Refunds for biodiesel production	Ch. 277
Ch. 258	Refunds for eligible businesses	Ch. 278

As part of this reorganization effort, the Department plans to rescind rules that are no longer needed. Chapter 16 (“Taxable Sales”) had some rules that still have value, but many other rules in the chapter had already been duplicated in newer chapters, such as in Chapter 213. This rule making rescinds Chapter 16 and adopts some of those rules in a new Chapter 210 (“Purchases by Businesses”). There are no significant substantive changes; the Department is mainly updating Iowa Code references and rule cross-references, replacing outdated terms such as changing “gross receipts” to “sales price,” and adding subheadings to previously unnumbered paragraphs.

This rule making also moves some rules from current Chapter 213 into the new Chapter 210. The remaining rules in Chapter 213 will become a newly titled chapter (“Purchases by Individuals”) in a future rule making. Lastly, this rule making adds definitions of “profession” and “occupation” in renumbered rule 701—215.18(423) (formerly rule 701—230.18(423)). These definitions were inadvertently deleted in a rule making last year during the removal of obsolete definitions of “computer” from Chapter 230.

Public Comment and Changes to Rule Making

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on July 13, 2022, as **ARC 6400C**. A public hearing was held on August 11, 2022, at 10 a.m. in Room 1 NW, Hoover State Office Building, First Floor, 1305 East Walnut Street, Des Moines. No one attended the public hearing. No public comments were received. Since publication of the Notice, two additional chapters have been added and renumbered: previous Chapter 214 is now Chapter 221, and previous Chapter 258 is now Chapter 278; subsequent items have been renumbered.

Adoption of Rule Making

This rule making was adopted by the Department on August 17, 2022.

Fiscal Impact

This rule making has no fiscal impact to the State of Iowa.

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 12, 2022.

The following rule-making actions are adopted:

- ITEM 1. Renumber **701—Chapter 4** as **701—Chapter 208**.
- ITEM 2. Rescind and reserve **701—Chapter 16**.
- ITEM 3. Renumber **701—Chapter 27** as **701—Chapter 251**.
- ITEM 4. Renumber **701—Chapter 34** as **701—Chapter 250**.
- ITEM 5. Renumber **701—Chapter 67** as **701—Chapter 259**.
- ITEM 6. Renumber **701—Chapter 68** as **701—Chapter 260**.
- ITEM 7. Renumber **701—Chapter 69** as **701—Chapter 261**.
- ITEM 8. Rescind the title heading before **701—Chapter 70**.
- ITEM 9. Renumber **701—Chapter 81** as **701—Chapter 254**.
- ITEM 10. Renumber **701—Chapter 82** as **701—Chapter 255**.
- ITEM 11. Renumber **701—Chapter 83** as **701—Chapter 256**.
- ITEM 12. Renumber **701—Chapter 84** as **701—Chapter 257**.
- ITEM 13. Renumber **701—Chapter 85** as **701—Chapter 258**.
- ITEM 14. Rescind the title heading before **701—Chapter 86**.
- ITEM 15. Renumber **701—Chapter 91** as **701—Chapter 262**.
- ITEM 16. Renumber **701—Chapter 97** as **701—Chapter 252**.
- ITEM 17. Renumber **701—Chapter 103** as **701—Chapter 253**.
- ITEM 18. Renumber **701—Chapter 107** as **701—Chapter 270**.
- ITEM 19. Rescind and reserve **701—Chapter 108**.
- ITEM 20. Renumber **701—Chapter 109** as **701—Chapter 271**.
- ITEM 21. Rescind the title heading before **701—Chapter 120**.
- ITEM 22. Rescind the title heading before **701—Chapter 122**.
- ITEM 23. Rescind the title heading before **701—Chapter 150**.
- ITEM 24. Adopt the following new 701—Chapter 210:

CHAPTER 210
PURCHASES BY BUSINESSES

701—210.1(423) Wholesalers and jobbers selling at retail. Sales made by a wholesaler or jobber to a purchaser for use or consumption by the purchaser or in the purchaser’s business and not for resale are considered retail sales and subject to tax, even if sales are made at wholesale prices or in wholesale quantities.

This rule is intended to implement Iowa Code section 423.2(1).

701—210.2(423) Materials and supplies sold to retail stores. The sales price of materials and supplies sold to retail stores for their use and not for resale shall be subject to tax. The retail store is the final buyer and ultimate consumer of such items as fuel, cash registers, adding machines, typewriters, stationery, display fixtures and numerous other commodities that are not sold by the store to its customers.

This rule is intended to implement Iowa Code section 423.2.

701—210.3(423) Tangible personal property and specified digital products purchased for resale but incidentally consumed by the purchaser. A retailer engaged in the business of selling tangible personal property or specified digital products who takes merchandise from stock for personal use, consumption, or gifts shall report these items as “goods consumed” on the sales and use tax return and remit sales tax

and any applicable local option sales tax on the purchase cost of the items. This rule does not authorize purchase for resale of items intended to be used by the retailer.

This rule is intended to implement Iowa Code section 423.2.

701—210.4(423) Property furnished without charge by employers to employees. When an employer furnishes tangible personal property, including meals, or specified digital products to employees without charge or uses merchandise for gifts or consumption, the cost to the employer of the tangible personal property or specified digital products shall be subject to sales tax and any applicable local option sales tax and reported on the employer’s return as “goods consumed” if the employer has not previously paid tax to a retailer. However, the food purchased by the employer for meals prepared for employees is not subject to tax.

This rule is intended to implement Iowa Code section 423.2.

701—210.5(423) Owners or operators of buildings. Owners or operators of buildings who purchase items to be used by them in maintaining the building are the users or consumers and shall pay sales tax to their suppliers.

210.5(1) When owners or operators of buildings remeter and bill their tenants for electric current, gas, or any other taxable service consumed by the tenants, such owners or operators shall be considered to be purchasing the electric current, gas, or other taxable service for resale. These owners or operators shall hold permits and shall be liable for the tax upon the sales price of the sale of such service. When the building owners or operators purchase all of the electric current, gas, or other services for resale and consume a portion in the operation of the building, they shall be liable for sales tax on that portion consumed, based upon the cost of the electric current or gas purchased for resale.

210.5(2) When the management of a building sells heat to other buildings or other persons and charges for such service as a sale of heat, such transactions are considered sales at retail and shall be subject to tax.

210.5(3) When heat is furnished to tenants as a service to them, incidental to the renting of the space, there shall be no tax. When heat is sold separately and billed to the tenants separately, such service shall be taxable.

210.5(4) When a building manager makes sales of tangible personal property, specified digital products, or taxable services at retail, the manager shall be required to procure a permit and collect and remit tax.

This rule is intended to implement Iowa Code section 423.2.

701—210.6(423) Blacksmith and machine shops. When a blacksmith or machine shop operator fabricates finished tangible personal property from raw materials and sells such property at retail, tax shall apply on the total charge which includes the fabrication labor. Rule 701—26.28(422) contains information on the taxable service of machine operation.

This rule is intended to implement Iowa Code section 423.2.

701—210.7(423) Truckers engaged in retail business. Truckers or haulers engaged in the sale of tangible personal property to ultimate users or consumers shall be deemed as making taxable sales.

This rule is intended to implement Iowa Code section 423.2.

701—210.8(423) Out-of-state truckers selling at retail in Iowa. Truckers or persons engaged in the sale of tangible personal property at retail in Iowa based outside of Iowa by means of hauling the tangible personal property into the state shall collect and remit Iowa sales tax. To ensure the remission of tax on Iowa sales, the department has the statutory authority to require a bond deposit from sellers classified in this rule. This right shall be exercised when necessary.

This rule is intended to implement Iowa Code section 423.2.

701—210.9(423) Iowa dental laboratories.

210.9(1) Sales by dental laboratories. Iowa dental laboratories are engaged in selling tangible personal property to Iowa dentists. Such laboratories shall hold a retail sales tax permit and collect and report all tax due from dentists in all transactions involving taxable retail sales.

210.9(2) Purchases not subject to tax. Iowa dental laboratories shall not be subject to tax on those purchases of tangible personal property that form a component or integral part of new work or repair work being furnished to Iowa dentists or other dentists or would be exempt if purchased directly by the dentist's patient.

210.9(3) Purchases subject to tax. Iowa dental laboratories are the final user or consumer of all tangible personal property, including tools, office supplies, equipment, and any other tangible personal property not otherwise exempt. Sales tax shall be remitted to its Iowa supplier when purchasing in this state, and use tax shall be remitted directly to the department when such items are purchased from out-of-state suppliers, unless the out-of-state supplier is registered with the department and collects sales or use tax for the state.

This rule is intended to implement Iowa Code sections 423.2 and 423.33.

701—210.10(423) Dental supply houses. Dental supply houses are engaged in selling tangible personal property to dentists and dental laboratories. Such dental supply houses shall collect and report all tax due from purchasers in all transactions involving taxable retail sales. This shall not include sales of tangible personal property that will form a component or integral part of new work or repair work being furnished to Iowa dentists or other dentists or would be exempt if sold directly to an individual.

This rule is intended to implement Iowa Code section 423.2.

701—210.11(423) News distributors and magazine distributors. News distributors and magazine distributors engaged in intrastate sales of magazines and periodicals in Iowa to vendors that are engaged in part-time distribution of such magazines are deemed to be making sales at retail. The sales price of such sales shall be subject to sales tax.

This rule is intended to implement Iowa Code section 423.2.

701—210.12(423) Magazine subscriptions by independent dealers. The sales price of the sale of subscription magazines or periodicals derived by independent distributors or dealers in the state of Iowa that secure such subscriptions as independent dealers or distributors shall be subject to tax.

This rule is intended to implement Iowa Code section 423.2.

701—210.13(423) Sales by finance companies. A finance company that repossesses or acquires tangible personal property or specified digital products in connection with its finance business and sells tangible personal property or specified digital products at retail in Iowa shall be required to hold a permit and remit the current rate of tax on the sales price of such sales at retail in Iowa.

This rule is intended to implement Iowa Code section 423.2.

701—210.14(423) Bowling.

210.14(1) Pinsetters. The rental of automatic pinsetters by bowling alley operators is subject to the imposition of sales tax since the pinsetters are not resold to patrons. Therefore, the operator of the alley is considered the consumer of the pinsetter rental.

210.14(2) Shoes. The rental of bowling shoes is subject to the imposition of sales tax as equipment rental.

210.14(3) Score sheets. The sales of bowling score sheets to operators of bowling establishments are subject to the imposition of sales tax since the operators are the consumers of such score sheets.

This rule is intended to implement Iowa Code section 423.2.

701—210.15(423) Various special problems relating to public utilities.

210.15(1) Late payment charges. The amount of any charge, commonly called a "late payment charge," imposed by a public utility on its customers shall not be subject to tax if the charge is in addition to any charge for the utility's sale of its commodity or service and is imposed solely for the

privilege of deferring payment of the purchase price of the commodity or service and furthermore is separately stated and reasonable in amount.

210.15(2) Due dates. The date of the billing of charges for a public utility's sales shall be used to determine the period in which the utility shall remit tax upon the amount charged. The utility shall remit tax upon the sales price of any bill during the period that includes the billing date. Thus, if the date of a billing is March 31 and the due date for payment of the bill without penalty is April 20, tax upon the sales price contained in the bill shall be included in the return for the first quarter of the year. The same principle shall be used to determine when tax will be included in payment of a deposit.

210.15(3) Franchise fees. In general, the amount of any franchise fee that a public utility pays to a city for the privilege of operating and that is directly or indirectly passed on to the utility's customers shall be included in sales price subject to tax. This will be true even if the amount of the franchise fee is computed as a percentage of other sales price subject to tax and is separately stated and separately charged to the immediate consumer of the commodity or service. However, if, in the future, it becomes lawful for a city to impose a sales or use tax and such tax is imposed upon the customers of public utilities in the guise of a franchise fee, the amount of this city excise tax shall not be subject to Iowa tax if the tax imposed by the city is separately stated and separately billed.

This rule is intended to implement Iowa Code section 423.2(2).

701—210.16(423) Sales of engraved, bound, printed, and vulcanized materials.

210.16(1) Engraving. Engraving includes the business of engraving on wood, metal, stone, or any other material. The engraved material is tangible personal property, the sales price of which is subject to tax.

210.16(2) Binding. Persons engaged in the business of binding any printed matter, other than for the purpose of ultimate sale at retail, are engaged in the sale of tangible personal property, the sales price of which is subject to tax.

210.16(3) Printing. Printing includes, but is not limited to, any type of printing, lithographing, mimeographing, photocopying and similar reproduction. The following activities are nonexclusive examples of printed tangible personal property that are subject to tax: printing of pamphlets, leaflets, stationery, envelopes, folders, bond and stock certificates, abstracts, law briefs, business cards, matchbook covers, campaign posters and banners for the users thereof.

210.16(4) Vulcanizing. "Vulcanizing" means the act or process of treating crude rubber, synthetic rubber, or other rubberlike material with a chemical and subjecting it to heat in order to increase its strength and elasticity. The item produced after vulcanizing is tangible personal property, the sales price of which is subject to sales tax.

This rule is intended to implement Iowa Code section 423.2(1) "a."

ITEM 25. Renumber **701—Chapter 211** as **701—Chapter 200**.

ITEM 26. Amend renumbered **701—Chapter 200**, Title XIX heading, as follows:

~~TITLE XIX VIII~~

~~STREAMLINED SALES AND USE TAX RULES SALES, USE, AND EXCISE TAX~~

ITEM 27. Renumber **701—Chapter 212** as **701—Chapter 203**.

ITEM 28. Adopt the following new 701—Chapter 212:

CHAPTER 212

GOVERNMENTS AND NONPROFITS

701—212.1(423) Sales to certain corporations organized under federal statutes. The sale of tangible personal property, specified digital products, or taxable services at retail to the following corporations are sales for final use or consumption to which tax shall apply:

1. Federal savings and loan associations.
2. Federal savings and trust companies.
3. National banks.

4. Other organizations of like character.

This rule is intended to implement Iowa Code section 423.2.

ITEM 29. Rescind and reserve rules **701—213.1(423)** and **701—213.2(423)**.

ITEM 30. Renumber rule **701—213.6(423)** as **701—210.17(423)**.

ITEM 31. Renumber rule **701—213.9(423)** as **701—210.18(423)**.

ITEM 32. Renumber rule **701—213.17(423)** as **701—210.19(423)**.

ITEM 33. Renumber rule **701—213.24(423)** as **701—210.20(423)**.

ITEM 34. Adopt the following new rule 701—213.26(423):

701—213.26(423) Sales of prepaid telephone cards or calling services. Sales of prepaid telephone calling cards and prepaid authorization numbers that furnish the holder with communication service are taxable as sales of tangible personal property.

This rule is intended to implement Iowa Code section 423.2(1)“a.”

ITEM 35. Renumber **701—Chapter 214** as **701—Chapter 221**.

ITEM 36. Renumber **701—Chapter 215** as **701—Chapter 207**.

ITEM 37. Amend renumbered subrule 207.1(1) as follows:

207.1(1) Incorporation of definitions. To the extent ~~it is they~~ are consistent with Iowa Code chapter 423 and this chapter, all other words and phrases used in this chapter shall mean the same as defined in Iowa Code sections 423.1 and 423.14A and rule ~~701—211.1(423)~~ 701—200.1(423).

ITEM 38. Renumber **701—Chapter 216** as **701—Chapter 206**.

ITEM 39. Adopt the following new 701—Chapter 216:

CHAPTER 216

EVENTS, AMUSEMENTS, AND OTHER RELATED ACTIVITIES

701—216.1(423) Athletic events. The sales price from the sale of tickets or admissions to athletic events occurring in the state of Iowa and sponsored by educational institutions, without regard to the use of the proceeds from such sales, shall be subject to tax, except when the events are sponsored by elementary and secondary educational institutions.

This rule is intended to implement Iowa Code section 423.2(3).

ITEM 40. Renumber **701—Chapter 223** as **701—Chapter 205**.

ITEM 41. Amend renumbered subrule 205.4(2) as follows:

205.4(2) Sourcing of personal care services. Except as otherwise provided in the agreement or the rules adopted by the governing board, a purchaser receives a personal care service within the meaning of rule ~~701—211.1(423)~~ 701—200.1(423) at the location where the services are performed, which is the same location where the services are received by the purchaser (or the purchaser’s donee). The services will be received by the purchaser (or the purchaser’s donee) either at the seller’s location, pursuant to Iowa Code section 423.15(1)“a,” or at the purchaser’s (or the purchaser’s donee) location, pursuant to Iowa Code section 423.15(1)“b.”

ITEM 42. Renumber **701—Chapter 224** as **701—Chapter 217**.

ITEM 43. Renumber **701—Chapter 226** as **701—Chapter 214**.

ITEM 44. Amend renumbered paragraph **214.1(3)“a”** as follows:

a. *Production of agricultural products.* The term “production of agricultural products” means the same as the term “agricultural production,” which is defined in rule ~~701—211.1(423)~~ 701—200.1(423) to mean a farming operation undertaken for profit by the raising of crops or livestock. Nonexclusive examples of items not included within the meaning of the term “agricultural production” are the clearing

or preparation of previously uncultivated land, the creation of farm ponds, and the erection of machine sheds, confinement facilities, storage bins, or other farm buildings. See *Trullinger v. Fremont County*, 223 Iowa 677, 273 N.W. 124 (1937). Machinery and equipment used for these purposes would be used for activities which are preparatory to, but not a part of, the production of agricultural products and, therefore, are not exempt.

ITEM 45. Amend renumbered rule 701—214.3(423) as follows:

701—214.3(423) Irrigation equipment used in agricultural production. The sales price from the sale or rental of irrigation equipment used in agricultural production is exempt from tax. The term “irrigation equipment” includes, but is not limited to, circle irrigation systems and trickle irrigation systems, whether installed aboveground or belowground, as long as the equipment is sold to or rented by a contractor or farmer and the equipment is directly and primarily used in agricultural production. The term “agricultural production” is defined in rule 701—211.1(423) ~~701—200.1(423)~~.

This rule is intended to implement Iowa Code ~~subsections~~ sections 423.3(12) and 423.3(13).

ITEM 46. Amend renumbered subrule 214.6(2) as follows:

214.6(2) Agricultural limestone. Sales of agricultural limestone are exempt from sales and use tax only if the purchaser intends to use the limestone for disease control, weed control, insect control, or health promotion of plants or livestock produced for market as part of agricultural production. See ~~rule 701—211.1(423)~~ for Rule 701—200.1(423) contains definitions of “agricultural production” and “plants.” Sales of agricultural limestone used for other purposes are subject to sales tax. Examples of taxable ~~use~~ sales include, but are not limited to, sales of agricultural limestone for application on a lawn, golf course, or cemetery.

ITEM 47. Amend renumbered rule 701—214.7(423) as follows:

701—214.7(423) Sales of breeding livestock. The sale of agricultural livestock is exempt from tax only if at the time of purchase the purchaser intends to use the livestock primarily for breeding. The sale of agricultural livestock ~~which~~ that is capable of breeding, but will not be used for breeding or primarily for breeding, is not exempt from tax. However, sales of most nonbreeding agricultural livestock to farmers would be a sale for resale and exempt from tax. See ~~rule 701—211.1(423)~~ for Rule 701—200.1(423) contains a definition of “livestock.”

EXAMPLE 1: A breeding service purchases a prize bull from a farmer. At the time of sale, the intent of the purchaser is to use the bull for breeding other cattle. The sale of the bull is exempt from tax even though three years later the breeding service sells the bull to a meat packer.

EXAMPLE 2: A farmer purchases dairy cows. To ensure production of milk over a sustained period of time, dairy cows must be bred to produce calves. If a farmer purchases dairy cows for the primary purpose of using them to produce milk and incidentally breeds them to ensure that this milk will be produced, the sale of the dairy cows to the farmer is not exempt from tax. If the farmer purchases the dairy cows for the primary purpose of using them to produce calves and, incidental to that purpose, at times sells the milk which the cows produce, the sale of the dairy cows to the farmer is exempt from tax.

This rule is intended to implement Iowa Code ~~subsection~~ section 423.3(3).

ITEM 48. Amend renumbered rule 701—214.8(423) as follows:

701—214.8(423) Domesticated fowl. The purchase of any domesticated fowl for the purpose of providing eggs or meat is exempt from tax, whether purchased by a person engaged in agricultural production or not. See ~~rule 701—211.1(423)~~ for Rule 701—200.1(423) contains a definition of the term “domesticated fowl.”

This rule is intended to implement Iowa Code ~~subsection~~ section 423.3(3).

ITEM 49. Amend renumbered subrule 214.9(1) as follows:

214.9(1) Definitions. For purposes of this rule, the following definitions apply:

“Adjuvant” means any substance which is added to a herbicide, a pesticide, or an insecticide to increase its potency.

“*Agricultural production*” means the same as defined in rule ~~701—211.1(423)~~ 701—200.1(423).

“*Food*” includes vitamins, minerals, other nutritional food supplements, and hormones sold to promote the growth of livestock.

“*Herbicide*” means any substance intended to prevent, destroy, or retard the growth of plants including fungi. The term shall include preemergence, postemergence, lay-by, pasture, defoliant, and desiccant herbicides and fungicides.

“*Insecticide*” means any substance used to kill insects. Any substance used merely to repel insects is not an insecticide. Mechanical devices which are used to kill insects are not insecticides.

“*Livestock*” means the same as defined in rule ~~701—211.1(423)~~ 701—200.1(423). For the purposes of this rule, “livestock” includes domesticated fowl.

“*Medication*” includes antibiotics or other similar drugs administered to livestock.

“*Pesticide*” means any substance which is used to kill rodents or smaller vermin, other than insects, such as nematodes, spiders, or bacteria. For the purposes of this rule, a disinfectant is a pesticide. Excluded from the term “pesticide” is any substance which merely repels pests or any device, such as a rat trap, which kills pests by mechanical action.

“*Plants*” means the same as defined in rule ~~701—211.1(423)~~ 701—200.1(423).

“*Surfactant*” means a substance which is active on a surface.

ITEM 50. Amend renumbered subrule 214.12(1) as follows:

214.12(1) Definitions. For purposes of this rule, the following definitions apply:

“*Aquaculture*” means the same as defined in rule ~~701—211.1(423)~~ 701—200.1(423).

“*Fuel*” includes electricity.

“*Implement of husbandry*” means the same as defined in rule ~~701—211.1(423)~~ 701—200.1(423).

“*Livestock*” means the same as defined in rule ~~701—211.1(423)~~ 701—200.1(423) and includes domesticated fowl.

ITEM 51. Amend renumbered rule ~~701—214.14(423)~~ as follows:

701—214.14(423) Bedding for agricultural livestock or fowl. The sales price from the sale of woodchips, sawdust, hay, straw, paper, or any other materials used for bedding in the production of agricultural livestock (including domesticated fowl) is exempt from tax. ~~See rule 701—211.1(423) for Rule 701—200.1(423) contains~~ definitions applicable to this rule.

This rule is intended to implement Iowa Code ~~subsection~~ section 423.3(9).

ITEM 52. Renumber **701—Chapter 230** as **701—Chapter 215**.

ITEM 53. Adopt the following new paragraph **215.18(3)“d”**:

d. Professions and occupations. The term “profession” means a vocation or employment requiring specialized knowledge and often long and intensive academic preparation. The term “occupation” means the principal business of an individual, such as the business of farming. A professional entity that carries on any profession or occupation, such as an accounting firm, is not a commercial enterprise.

- ITEM 54. Renumber **701—Chapter 231** as **701—Chapter 220**.
- ITEM 55. Renumber **701—Chapter 235** as **701—Chapter 275**.
- ITEM 56. Renumber **701—Chapter 237** as **701—Chapter 273**.
- ITEM 57. Renumber **701—Chapter 238** as **701—Chapter 272**.
- ITEM 58. Renumber **701—Chapter 239** as **701—Chapter 274**.
- ITEM 59. Renumber **701—Chapter 240** as **701—Chapter 204**.
- ITEM 60. Rescind and reserve **701—Chapter 241**.
- ITEM 61. Renumber **701—Chapter 242** as **701—Chapter 276**.
- ITEM 62. Renumber existing **701—Chapter 250** as **701—Chapter 277**.
- ITEM 63. Rescind the title heading before renumbered **701—Chapter 252**.
- ITEM 64. Amend renumbered subrule 252.1(1) as follows:
252.1(1) Incorporation of definitions. To the extent they are consistent with Iowa Code chapter 423G, all words and phrases used in this chapter shall mean the same as defined in Iowa Code section 423.1 and rule ~~701—211.1(423)~~ 701—200.1(423).
- ITEM 65. Amend renumbered subrule 253.1(1) as follows:
253.1(1) Incorporation of definitions. To the extent ~~it is~~ they are consistent with Iowa Code chapter 423A and this chapter, all other words and phrases used in this chapter shall mean the same as defined in Iowa Code section 423.1 and rule ~~701—211.1(423)~~ 701—200.1(423).
- ITEM 66. Rescind the title heading before renumbered **701—Chapter 254**.
- ITEM 67. Renumber **701—Chapter 258** as **701—Chapter 278**.
- ITEM 68. Rescind the title heading before renumbered **701—Chapter 259**.
- ITEM 69. Rescind the title heading before renumbered **701—Chapter 262**.
- ITEM 70. Rescind the title heading before renumbered **701—Chapter 270**.
- ITEM 71. Amend renumbered subrule 270.1(1) as follows:
270.1(1) Incorporation of definitions. To the extent it is consistent with Iowa Code chapter 423B and this chapter, all other words and phrases used in this chapter shall mean the same as defined in Iowa Code chapter 423B, Iowa Code section 423.1, and rule ~~701—211.1(423)~~ 701—200.1(423).
- ITEM 72. Amend renumbered subrule 270.4(1) as follows:
270.4(1) Incorporation of ~~701—Chapter 12~~ 701—Chapter 202. Except as otherwise stated in this chapter, the requirements of ~~701—Chapter 12~~ 701—Chapter 202 shall apply to retailers required to collect local option tax in the same manner as those requirements apply to all sellers and retailers making sales subject to state sales tax.
- ITEM 73. Amend renumbered rule 701—270.5(423B) as follows:
701—270.5(423B) Permits. Except as otherwise stated in this chapter, the requirements of ~~701—Chapter 13~~ 701—Chapter 201 shall apply to retailers required to collect local option tax in the same manner that those requirements apply to all sellers and retailers making sales subject to state sales tax.

This rule is intended to implement Iowa Code section 423B.6.

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EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 9/7/22.