

**REVENUE DEPARTMENT[701]**

**Adopted and Filed**

**Rule making related to sales tax exemption for diapers**

The Revenue Department hereby amends Chapter 220, “Exemptions Primarily of Benefit to Consumers,” 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 section 423.3 as amended by 2022 Iowa Acts, Senate File 2367.

*Purpose and Summary*

The Iowa Legislature enacted a sales tax exemption for diapers in 2022 Iowa Acts, Senate File 2367, division II, which took effect January 1, 2023. New Iowa Code section 423.3(109) specifically exempts from sales tax “[t]he sales price from the sale of a child or adult diaper, whether cloth or disposable.” Since the statute does not define the word “diaper,” to avoid any confusion about what is exempt as a diaper, the Department has adopted this new rule to define “diaper” in accordance with the definition adopted by the Streamlined Sales Tax Governing Board, of which Iowa is a member state.

*Public Comment and Changes to Rule Making*

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on February 22, 2023, as **ARC 6920C**. A public hearing was held on March 14, 2023, at 9 a.m. in Room 1 NW, Hoover State Office Building, 1305 East Walnut Street, Des Moines, Iowa. One individual attended the public hearing and expressed support for the proposed rule. The public hearing attendee also provided written comments. No changes from the Notice have been made.

*Adoption of Rule Making*

This rule making was adopted by the Department on March 29, 2023.

*Fiscal Impact*

This rule making does not have any fiscal impact beyond the statute it seeks to implement. The Legislative Services Agency’s fiscal estimate for Senate File 2367, division II, estimates a reduction to General Fund revenue in FY 2023 of \$4.7 million, which increases to \$9.5 million in FY 2024, the first full fiscal year of the new exemption.

*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 May 24, 2023.

The following rule-making action is adopted:

Adopt the following **new** rule 701—220.17(423):

**701—220.17(423) Sales of diapers.**

**220.17(1) *In general.*** The sales price of diapers, whether cloth or disposable, is exempt from sales tax. This includes children's diapers and adult diapers.

**220.17(2) *Definitions.***

*“Adult diapers”* means diapers other than children's diapers.

*“Children's diapers”* means diapers marketed to be worn by children.

*“Diaper”* means an absorbent garment worn by humans who are incapable of, or have difficulty, controlling their bladder or bowel movements.

This rule is intended to implement Iowa Code section 423.3(109).

[Filed 3/29/23, effective 5/24/23]

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EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 4/19/23.