

423.3 Exemptions.

There is exempted from the provisions of [this subchapter](#) and from the computation of the amount of tax imposed by it the following:

1. The sales price from sales of tangible personal property, specified digital products, and services furnished which this state is prohibited from taxing under the Constitution or laws of the United States or under the Constitution of this state.

2. The sales price of sales for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with the furnishing of taxable services except for the purchase of tangible personal property, the leasing or rental of which is exempted from tax by [subsection 49](#).

3. The sales price of agricultural breeding livestock and domesticated fowl.

3A. The sales price from the sale of a commercial recreation service offering the opportunity to hunt a preserve whitetail as defined in [section 484C.1](#) if the sale occurred between July 1, 2005, and December 31, 2015.

4. The sales price of commercial fertilizer.

5. a. The sales price of agricultural limestone, herbicide, pesticide, insecticide, including adjuvants, surfactants, and other products directly related to the application enhancement of those products, food, medication, or agricultural drain tile, including installation of agricultural drain tile, any of which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market.

b. The following enumerated materials associated with the installation of agricultural drain tile which is exempt pursuant to paragraph “a” shall also be exempt under paragraph “a”:

- (1) Tile intakes.
- (2) Outlet pipes and guards.
- (3) Aluminum and gabion structures.
- (4) Erosion control fabric.
- (5) Water control structures.
- (6) Miscellaneous tile fittings.

6. The sales price of tangible personal property which will be consumed as fuel in creating heat, power, or steam for grain drying, or for providing heat or cooling for livestock buildings or for greenhouses or buildings or parts of buildings dedicated to the production of flowering, ornamental, or vegetable plants intended for sale in the ordinary course of business, or for use in cultivation of agricultural products by aquaculture, or in implements of husbandry engaged in agricultural production.

7. The sales price of services furnished by specialized flying implements of husbandry used for agricultural aerial spraying.

8. a. The sales price exclusive of services of farm machinery and equipment, including auxiliary attachments which improve the performance, safety, operation, or efficiency of the machinery and equipment and replacement parts, if the following conditions are met:

(1) The farm machinery and equipment shall be directly and primarily used in production of agricultural products.

(2) The farm machinery and equipment shall constitute self-propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.

(3) The replacement part is used in any repair or reconstruction necessary to the farm machinery's or equipment's exempt use in the production of agricultural products.

b. Vehicles subject to registration, as defined in [section 423.1](#), or replacement parts for such vehicles, are not eligible for this exemption.

c. For purposes of [this subsection](#), the following items are exempt under paragraph “a” when used in agricultural production:

- (1) A snow blower that is to be attached to a self-propelled implement of husbandry.
- (2) A rear-mounted or front-mounted blade that is to be attached to or towed by a self-propelled implement of husbandry.

- (3) A rotary cutter that is to be attached to a self-propelled implement of husbandry.
- d. (1) For purposes of [this subsection](#), the following items are exempt under paragraph “a” when used primarily in agricultural production:
- (a) A diesel fuel trailer, regardless of the vehicle to which it is to be attached.
 - (b) A seed tender, regardless of the vehicle to which it is to be attached.
 - (c) An all-terrain vehicle.
 - (d) An off-road utility vehicle.
- (2) For purposes of this paragraph:
- (a) “All-terrain vehicle” means the same as defined in [section 321I.1](#).
 - (b) “Fuel trailer” means a trailer that holds dyed diesel fuel or diesel exhaust fluid and that is used to transport such fuel or fluid to a self-propelled implement of husbandry.
 - (c) “Off-road utility vehicle” means the same as defined in [section 321I.1](#).
 - (d) “Seed tender” means a trailer that holds seed and that is used to transport seed to an implement of husbandry and load seed into an implement of husbandry.
9. The sales price of wood chips, sawdust, hay, straw, paper, or other materials used for bedding in the production of agricultural livestock or fowl.
10. The sales price of gas, electricity, water, or heat to be used in implements of husbandry engaged in agricultural production.
11. The sales price exclusive of services of farm machinery and equipment, including auxiliary attachments which improve the performance, safety, operation, or efficiency of the machinery and equipment, and including auger systems, curtains and curtain systems, drip systems, fan and fan systems, shutters, inlets and shutter or inlet systems, and refrigerators, and replacement parts, if all of the following conditions are met:
- a. The implement, machinery, or equipment is directly and primarily used in livestock or dairy production, aquaculture production, or the production of flowering, ornamental, or vegetable plants.
 - b. The implement is not a self-propelled implement or implement customarily drawn or attached to self-propelled implements.
 - c. The replacement part is used in any repair or reconstruction necessary to the farm machinery’s or equipment’s exempt use in livestock or dairy production, aquaculture production, or the production of flowering, ornamental, or vegetable plants.
12. The sales price, exclusive of services, from sales of irrigation equipment used in farming operations.
13. The sales price from the sale of irrigation equipment, whether installed above or below ground, to a contractor or farmer if the equipment will be primarily used in agricultural operations.
14. The sales price from the sales of horses, commonly known as draft horses, when purchased for use and so used as draft horses.
15. The sales price from the sale of property which is a container, label, carton, pallet, packing case, wrapping, baling wire, twine, bag, bottle, shipping case, or other similar article or receptacle sold for use in agricultural, livestock, or dairy production.
16. The sales price from the sale of feed and feed supplements and additives when used for consumption by farm deer or bison.
- 16A. a. The sales price from the sale of a grain bin, including material or replacement parts used to construct or repair a grain bin.
- b. For purposes of [this subsection](#), “grain bin” means property that is vented and covered with corrugated metal or similar material, and that is primarily used to hold loose grain for drying or storage.
17. The sales price of all tangible personal property, specified digital products, or services, used for educational purposes sold to any private nonprofit educational institution in this state. For the purpose of [this subsection](#), “educational institution” means an institution which primarily functions as a school, college, or university with students, faculty, and an established curriculum. The faculty of an educational institution must be associated with the institution and the curriculum must include basic courses which are offered every year. “Educational institution” includes an institution primarily functioning as a library.

18. The sales price of tangible personal property or specified digital products sold, or of services furnished, to the following nonprofit corporations:

a. Residential care facilities and intermediate care facilities for persons with an intellectual disability and residential care facilities for persons with mental illness licensed by the department of inspections, appeals, and licensing under [chapter 135C](#).

b. Residential facilities licensed by the department of health and human services pursuant to [chapter 237](#), other than those maintained by individuals as defined in [section 237.1, subsection 7](#).

c. Rehabilitation facilities that provide accredited rehabilitation services to persons with disabilities which are accredited by the commission on accreditation of rehabilitation facilities or the council on quality and leadership and adult day care services approved for reimbursement by the department of health and human services.

d. Community mental health centers accredited by the department of health and human services pursuant to [chapter 225C](#).

e. Health centers as defined in 42 U.S.C. §254b.

f. Home and community-based services providers certified to offer Medicaid waiver services by the department of health and human services that are any of the following:

(1) Health and disability waiver service providers, described in [441 IAC 77.30](#).

(2) Hospice providers, described in [441 IAC 77.32](#).

(3) Elderly waiver service providers, described in [441 IAC 77.33](#).

(4) AIDS/HIV waiver service providers, described in [441 IAC 77.34](#).

(5) Federally qualified health centers, described in [441 IAC 77.35](#).

(6) Intellectual disabilities waiver service providers, described in [441 IAC 77.37](#).

(7) Brain injury waiver service providers, described in [441 IAC 77.39](#).

g. Substance use disorder treatment or prevention programs that receive block grant funding from the department of health and human services.

19. The sales price of tangible personal property sold to a nonprofit organization which was organized for the purpose of lending the tangible personal property to the general public for use by them for nonprofit purposes.

20. The sales price of tangible personal property or specified digital products sold, or of services furnished, to nonprofit legal aid organizations.

21. The sales price of tangible personal property, of specified digital products, or of services, used for educational, scientific, historic preservation, or aesthetic purpose sold to a nonprofit private museum.

22. The sales price from sales of tangible personal property, of specified digital products, or from services furnished, to a nonprofit private art center to be used in the operation of the art center.

23. The sales price of tangible personal property or specified digital products sold, or of services furnished, if such tangible personal property, specified digital products, or services are sold to or by a fair organized under [chapter 174](#).

24. The sales price from services furnished by the notification center established pursuant to [section 480.3](#), and the vendor selected pursuant to [section 480.3](#) to provide the notification service.

25. The sales price of food and beverages sold for human consumption by a nonprofit organization which principally promotes a food or beverage product for human consumption produced, grown, or raised in this state and whose income is exempt from federal taxation under section 501(c) of the Internal Revenue Code.

26. The sales price of tangible personal property or specified digital products sold, or of services furnished, to a statewide nonprofit organ procurement organization, as defined in [section 142C.2](#).

26A. a. The sales price of tangible personal property sold or of test laboratory services furnished, if such tangible personal property or test laboratory services are sold or furnished to a nonprofit blood center that is registered by the federal food and drug administration, and the tangible personal property or test laboratory services are directly and primarily used in the processing of human blood.

b. As used in [this subsection](#), “processing” means the same as defined in [subsection](#)

47, except that for purposes of the definition of “processing” used in [this subsection](#), a “manufacturer” shall be construed to include a nonprofit blood center.

27. The sales price of tangible personal property or specified digital products sold, or of services furnished, to a nonprofit hospital licensed pursuant to [chapter 135B](#) to be used in the operation of the hospital.

28. The sales price of tangible personal property or specified digital products sold, or of services furnished, to a freestanding nonprofit hospice facility which operates a hospice program as defined in [42 C.F.R. ch. IV, §418.3](#), which property or services are to be used in the hospice program.

29. Reserved.

30. The sales price of livestock ear tags sold by a nonprofit organization whose income is exempt from federal taxation under section 501(c)(6) of the Internal Revenue Code where the proceeds are used in bovine research programs selected or approved by such organization.

31. *a.* The sales price of tangible personal property or specified digital products sold to and of services furnished to a tribal government, or the sales price of tangible personal property or specified digital products sold to and of services furnished, and used for public purposes sold to a tax-certifying or tax-levying body of the state or a governmental subdivision of the state, including the following: regional transit systems, as defined in [section 324A.1](#); the state board of regents; department of health and human services; state department of transportation; any municipally owned solid waste facility which sells all or part of its processed waste as fuel to a municipally owned public utility; and all divisions, boards, commissions, agencies, or instrumentalities of state, federal, county, municipal, or tribal government which have no earnings going to the benefit of an equity investor or stockholder, except any of the following:

(1) The sales price of tangible personal property or specified digital products sold to, or of services furnished, and used by or in connection with the operation of any municipally owned public utility engaged in selling gas, electricity, heat, pay television service, or communication service to the general public.

(2) The sales price of furnishing of sewage services to a county or municipality on behalf of nonresidential commercial operations.

(3) The furnishing of solid waste collection and disposal service to a county or municipality on behalf of nonresidential commercial operations located within the county or municipality.

b. For the purposes of [this subsection](#), “tribal government” means the governing body of a federally recognized Indian tribe.

32. The sales price of tangible personal property or specified digital products sold, or of services furnished, by a county or city. This exemption does not apply to any of the following:

a. The tax specifically imposed under [section 423.2](#) on the sales price from sales or furnishing of gas, electricity, water, heat, pay television service, or communication service to the public by a municipal corporation in its proprietary capacity.

b. The sale or furnishing of solid waste collection and disposal service to nonresidential commercial operations.

c. The sale or furnishing of sewage service for nonresidential commercial operations.

d. Fees paid to cities and counties for the privilege of participating in any athletic sports.

33. *a.* The sales price of mementos and other items relating to Iowa history and historic sites, the general assembly, and the state capitol, sold by the legislative services agency and its legislative information office on the premises of property under the control of the legislative council, at the state capitol, and on other state property.

b. The legislative services agency is not a retailer under [this chapter](#) and the sale of items or provision of services by the legislative services agency is not a retail sale under [this chapter](#) and is exempt from the sales tax.

34. The sales price from sales of mementos and other items relating to Iowa history and historic sites by the department of administrative services on the premises of property under its control and at the state capitol.

35. The sales price from sales or services furnished by the state fair organized under [chapter 173](#).

36. The sales price from sales of tangible personal property or specified digital products or of the sale or furnishing of electrical energy, natural or artificial gas, or communication service to another state or political subdivision of another state if the other state provides a similar reciprocal exemption for this state and political subdivision of this state.

37. The sales price of services on or connected with new construction, reconstruction, alteration, expansion, remodeling, or the services of a general building contractor, architect, or engineer. The exemption in [this subsection](#) also applies to the sales price on the lease or rental of all machinery, equipment, and replacement parts directly and primarily used by owners, contractors, subcontractors, and builders for new construction, reconstruction, alteration, expansion, or remodeling of real property or structures and of all machinery, equipment, and replacement parts which improve the performance, safety, operation, or efficiency of the machinery, equipment, and replacement parts so used.

38. The sales price from the sale of building materials, supplies, or equipment sold to rural water districts organized under [chapter 504](#) as provided in [chapter 357A](#) and used for the construction of facilities of a rural water district.

39. The sales price from “casual sales”.

a. “Casual sales” means:

(1) Sales of tangible personal property or specified digital products, or the furnishing of services, of a nonrecurring nature, by the owner, if the seller, at the time of the sale, is not engaged for profit in the business of selling tangible personal property, specified digital products, or services taxed under [section 423.2](#).

(2) The sale of all or substantially all of the tangible personal property, or specified digital products, or services held or used by a seller in the course of the seller’s trade or business for which the seller is required to hold a sales or use tax permit when the seller sells or otherwise transfers the trade or business to another person who shall engage in a similar trade or business.

(3) Notwithstanding subparagraph (1), the sale, furnishing, or performance of a service that is of a recurring nature by the owner if, at the time of the sale, all of the following apply:

(a) The seller is not engaged for profit in the business of the selling, furnishing, or performance of services taxed under [section 423.2](#). For purposes of this subparagraph, the fact of the recurring nature of selling, furnishing, or performance of services does not constitute by itself engaging for profit in the business of selling, furnishing, or performance of services.

(b) The owner of the business is the only person performing the service.

(c) The owner of the business is a full-time student.

(d) The total gross receipts from the sales, furnishing, or performance of services during the calendar year does not exceed five thousand dollars.

b. The exemption under [this subsection](#) does not apply to vehicles subject to registration, all-terrain vehicles, snowmobiles, off-road motorcycles, off-road utility vehicles, aircraft, or commercial or pleasure watercraft or water vessels.

c. The exemption under [this subsection](#) does not apply to sales for which a person is required pursuant to [section 423.14A](#) to collect sales and use tax.

40. The sales price from the sale of automotive fluids to a retailer to be used either in providing a service which includes the installation or application of the fluids in or on a motor vehicle, which service is subject to [section 423.2](#), [subsection 6](#), or to be installed in or applied to a motor vehicle which the retailer intends to sell, which sale is subject to [section 321.105A](#). For purposes of [this subsection](#), automotive fluids are all those which are refined, manufactured, or otherwise processed and packaged for sale prior to their installation in or application to a motor vehicle. They include but are not limited to motor oil and other lubricants, hydraulic fluids, brake fluid, transmission fluid, sealants, undercoatings, antifreeze, and gasoline additives.

41. The sales price from the rental of motion picture films, video and audio tapes, video and audio discs, records, photos, copy, scripts, or other media used for the purpose of transmitting that which can be seen, heard, or read, if either of the following conditions are met:

a. The lessee imposes a charge for the viewing of such media and the charge for the viewing is subject to taxation under [this subchapter](#) or is subject to use tax.

b. The lessee broadcasts the contents of such media for public viewing or listening.

42. The sales price from the sale of tangible personal property consisting of advertising material including paper to a person in Iowa if that person or that person's agent will, subsequent to the sale, send that advertising material outside this state and the material is subsequently used solely outside of Iowa. For the purpose of [this subsection](#), "advertising material" means any brochure, catalog, leaflet, flyer, order form, return envelope, or similar item used to promote sales of property or services.

43. The sales price from the sale of property or of services performed on property which the retailer transfers to a carrier for shipment to a point outside of Iowa, places in the United States mail or parcel post directed to a point outside of Iowa, or transports to a point outside of Iowa by means of the retailer's own vehicles, and which is not thereafter returned to a point within Iowa, except solely in the course of interstate commerce or transportation. This exemption shall not apply if the purchaser, consumer, or their agent, other than a carrier, takes physical possession of the property in Iowa.

44. Reserved.

45. The sales price from the sale of property which is a container, label, carton, pallet, packing case, wrapping paper, twine, bag, bottle, shipping case, or other similar article or receptacle sold to retailers or manufacturers for the purpose of packaging or facilitating the transportation of tangible personal property sold at retail or transferred in association with the maintenance or repair of fabric or clothing.

46. The sales price from sales to a printer or publisher of the following: acetate; anti-halation backing; antistatic spray; back lining; base material used as a carrier for light sensitive emulsions; blankets; blow-ups; bronze powder; carbon tissue; codas; color filters; color separations; contacts; continuous tone separations; creative art; custom dies and die cutting materials; dampener sleeves; dampening solution; design and styling; diazo coating; dot etching; dot etching solutions; drawings; drawsheets; driers; duplicate films or prints; electronically digitized images; electrotypes; end product of image modulation; engravings; etch solutions; film; finished art or final art; fix; fixative spray; flats; flying pasters; foils; goldenrod paper; gum; halftones; illustrations; ink; ink paste; keylines; lacquer; laserengraving images; layouts; lettering; line negatives and positives; linotypes; lithographic offset plates; magnesium and zinc etchings; masking paper; masks; masters; mats; mat service; metal toner; models and modeling; mylar; negatives; nonoffset spray; opaque film process paper; opaquing; padding compound; paper stock; photographic materials: acids, plastic film, desensitizer emulsion, exposure chemicals, fix, developers, and paper; photography, day rate; photopolymer coating; photographs; photostats; photo-display tape; phototypesetter materials; pH-indicator sticks; positives; press pack; printing cylinders; printing plates, all types; process lettering; proof paper; proofs and proof processes, all types; pumice powder; purchased author alterations; purchased composition; purchased phototypesetting; purchased stripping and pasteups; red litho tape; reducers; roller covering; screen tints; sketches; stepped plates; stereotypes; strip types; substrate; tints; tissue overlays; toners; transparencies; tympan; typesetting; typography; varnishes; veloxes; wood mounts; and any other items used in a like capacity to any of the above enumerated items by the printer or publisher to complete a finished product for sale at retail. Expendable tools and supplies which are not enumerated in [this subsection](#) are excluded from the exemption. "Printer" means that portion of a person's business engaged in printing that completes a finished product for ultimate sale at retail or means that portion of a person's business used to complete a finished printed packaging material used to package a product for ultimate sale at retail. "Printer" does not mean an in-house printer who prints or copyrights its own materials.

47. a. The sales price from the sale of computers, computer peripherals, machinery, equipment, replacement parts, supplies, and materials used to construct or self-construct computers, computer peripherals, machinery, equipment, replacement parts, and supplies, if such items are any of the following:

(1) Directly and primarily used in processing by a manufacturer.

(2) Directly and primarily used to maintain the integrity of the product or to maintain

unique environmental conditions required for either the product or the computers, computer peripherals, machinery, and equipment used in processing by a manufacturer, including test equipment used to control quality and specifications of the product.

(3) Directly and primarily used in research and development of new products or processes of processing.

(4) Directly and primarily used in recycling or reprocessing of waste products.

(5) Pollution-control equipment used by a manufacturer, including but not limited to that required or certified by an agency of this state or of the United States government.

b. The sales price from the sale of fuel used in creating heat, power, steam, or for generating electrical current, or from the sale of electricity, consumed by computers, computer peripherals, machinery, or equipment used in an exempt manner described in paragraph “a”, subparagraph (1), (2), (3), (4), or (5).

c. The sales price from the sale of the following shall not be exempt from the tax imposed by [this subchapter](#):

(1) Hand tools.

(2) Point-of-sale equipment, computers, and computer peripherals.

(3) The following within the scope of [section 427A.1, subsection 1](#), paragraphs “h” and “i”:

(a) Computers.

(b) Computer peripherals.

(c) Machinery.

(d) Equipment, including pollution control equipment.

(e) Replacement parts.

(f) Supplies.

(g) Materials used to construct or self-construct the following:

(i) Computers.

(ii) Computer peripherals.

(iii) Machinery.

(iv) Equipment, including pollution control equipment.

(v) Replacement parts.

(vi) Supplies.

(4) Vehicles subject to registration, except vehicles subject to registration which are directly and primarily used in recycling or reprocessing of waste products.

d. As used in [this subsection](#):

(1) “*Commercial enterprise*” means businesses and manufacturers conducted for profit, for-profit and nonprofit insurance companies, and for-profit and nonprofit financial institutions, but excludes other nonprofits and professions and occupations.

(2) “*Financial institution*” means as defined in [section 527.2](#).

(3) “*Insurance company*” means an insurer organized or operating under [chapter 508, 514, 515, 518, 518A, 519, or 520](#), or authorized to do business in Iowa as an insurer or an insurance producer under [chapter 522B](#).

(4) (a) “*Manufacturer*” means a business that primarily purchases, receives, or holds personal property of any description for the purpose of adding to its value by a process of manufacturing with a view to selling the property for gain or profit.

(b) “*Manufacturer*” includes contract manufacturers. A contract manufacturer is a manufacturer that otherwise falls within the definition of manufacturer, except that a contract manufacturer does not sell the tangible personal property the contract manufacturer processes on behalf of other manufacturers.

(c) “*Manufacturer*” does not include persons who are not commonly understood as manufacturers, including but not limited to persons primarily engaged in any of the following activities:

(i) Construction contracting.

(ii) Repairing tangible personal property or real property.

(iii) Providing health care.

(iv) Farming, including cultivating agricultural products and raising livestock.

(v) Transporting for hire.

(d) For purposes of this subparagraph:

(i) “*Business*” means those businesses conducted for profit, but excludes professions and occupations and nonprofit organizations.

(ii) “*Manufacturing*” means those activities commonly understood within the ordinary meaning of the term, and shall include:

- (A) Refining.
- (B) Purifying.
- (C) Combining of different materials.
- (D) Packing of meats.

(E) Activities subsequent to the extractive process of quarrying or mining, such as crushing, washing, sizing, or blending of aggregate materials.

(iii) “*Manufacturing*” does not include activities occurring on premises primarily used to make retail sales.

(5) “*Processing*” means a series of operations in which materials are manufactured, refined, purified, created, combined, or transformed by a manufacturer, ultimately into tangible personal property. Processing encompasses all activities commencing with the receipt or producing of raw materials by the manufacturer and ending at the point products are delivered for shipment or transferred from the manufacturer. Processing includes but is not limited to refinement or purification of materials; treatment of materials to change their form, context, or condition; maintenance of the quality or integrity of materials, components, or products; maintenance of environmental conditions necessary for materials, components, or products; quality control activities; and construction of packaging and shipping devices, placement into shipping containers or any type of shipping devices or medium, and the movement of materials, components, or products until shipment from the processor.

(6) “*Receipt or producing of raw materials*” means activities performed upon tangible personal property only. With respect to raw materials produced from or upon real estate, the receipt or producing of raw materials is deemed to occur immediately following the severance of the raw materials from the real estate.

(7) “*Replacement part*” means tangible personal property other than computers, computer peripherals, machinery, equipment, or supplies, regardless of the cost or useful life of the tangible personal property, that meets all of the following conditions:

(a) The tangible personal property replaces a component of a computer, computer peripheral, machinery, or equipment, which component is capable of being separated from the computer, computer peripheral, machinery, or equipment.

(b) The tangible personal property performs the same or similar function as the component it replaced.

(c) The tangible personal property restores the computer, computer peripheral, machinery, or equipment to an operational condition, or upgrades or improves the efficiency of the computer, computer peripheral, machinery, or equipment.

(8) “*Supplies*” means tangible personal property, other than computers, computer peripherals, machinery, equipment, or replacement parts, that meets one of the following conditions:

(a) The tangible personal property is to be connected to a computer, computer peripheral, machinery, or equipment and requires regular replacement because the property is consumed or deteriorates during use, including but not limited to saw blades, drill bits, filters, and other similar items with a short useful life.

(b) The tangible personal property is used in conjunction with a computer, computer peripheral, machinery, or equipment and is specially designed for use in manufacturing specific products and may be used interchangeably and intermittently on a particular computer, computer peripheral, machine, or piece of equipment, including but not limited to jigs, dies, tools, and other similar items.

(c) The tangible personal property comes into physical contact with other tangible personal property used in processing and is used to assist with or maintain conditions necessary for processing, including but not limited to cutting fluids, oils, coolants, lubricants, and other similar items with a short useful life.

(d) The tangible personal property is directly and primarily used in an activity described

in paragraph “a”, subparagraphs (1) through (5), including but not limited to prototype materials and testing materials.

47A. a. The sales price from the sale of central office equipment or transmission equipment primarily used by local exchange carriers and competitive local exchange service providers; by franchised cable television operators, mutual companies, municipal utilities, cooperatives, and companies furnishing communications services that are not subject to rate regulation as provided in [chapter 476](#); by long distance companies as defined in [section 477.10](#); or for a commercial mobile radio service as defined in [47 C.F.R. §20.3](#) in the furnishing of telecommunications services on a commercial basis.

b. For the purposes of [this subsection](#):

(1) “*Central office equipment*” means equipment utilized in the initiating, processing, amplifying, switching, or monitoring of telecommunications services. “*Central office equipment*” also includes ancillary equipment and apparatus which support, regulate, control, repair, test, or enable such equipment to accomplish its function.

(2) “*Competitive local exchange service provider*” means any person, including a municipal utility, that provides local exchange services, other than a local exchange carrier or a non-rate-regulated wireline provider of local exchange services under an authorized certificate of public convenience and necessity within a specific geographic area described in maps filed with and approved by the Iowa utilities commission as of September 30, 1992.

(3) “*Local exchange carrier*” means any person that was the incumbent and historical rate-regulated wireline provider of local exchange services or any successor to such person that provides local exchange services under an authorized certificate of public convenience and necessity within a specific geographic area described in maps filed with and approved by the Iowa utilities commission as of September 30, 1992.

(4) “*Transmission equipment*” means equipment utilized in the process of sending information from one location to another location. “*Transmission equipment*” also includes ancillary equipment and apparatus which support, regulate, control, repair, test, or enable such equipment to accomplish its function.

48. The sales price from the furnishing of the design and installation of new industrial machinery or equipment, including electrical and electronic installation.

49. a. The sales price from the sale of carbon dioxide in a liquid, solid, or gaseous form, electricity, steam, and other taxable services and the lease or rental of tangible personal property when used by a manufacturer to primarily produce food or food ingredients, including but not limited to treatment of material to change its form, context, or condition, in order to produce the food or food ingredients, maintenance of quality or integrity of the food or food ingredients, changing or maintenance of temperature levels necessary to avoid spoilage or to hold the food or food ingredients in marketable condition, maintenance of environmental conditions necessary for the safe or efficient use of machinery and material used to produce the food or food ingredients, sanitation and quality control activities, formation of packaging, placement into shipping containers, and movement of the material or food or food ingredients until shipment from the building of manufacture.

b. For purposes of [this subsection](#), “*food or food ingredients*” means the same as “*food and food ingredients*” as defined in [subsection 57](#), paragraph “d”, and includes tangible personal property that could be sold for ingestion or chewing by humans but is sold for another use.

50. The sales price of sales of electricity, steam, or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at retail or of any fuel which is consumed in creating power, heat, or steam for processing or for generating electric current.

51. The sales price of tangible personal property sold for processing. Tangible personal property is sold for processing within the meaning of [this subsection](#) only when it is intended that the property will, by means of fabrication, compounding, manufacturing, or germination, become an integral part of other tangible personal property intended to be sold ultimately at retail; or for generating electric current; or the property is a chemical, solvent, sorbent, or reagent, which is directly used and is consumed, dissipated, or depleted, in processing tangible personal property which is intended to be sold ultimately at retail or consumed in the maintenance or repair of fabric or clothing, and which may not become a component

or integral part of the finished product. The distribution to the public of free newspapers or shoppers guides is a retail sale for purposes of the processing exemption set out in [this subsection](#) and in [subsection 50](#).

52. The sales price from the sale of argon and other similar gases to be used in the manufacturing process.

53. The sales price from the sale of electricity to water companies assessed for property tax pursuant to [sections 428.24](#), [428.26](#), and [428.28](#) which is used solely for the purpose of pumping water from a river or well.

54. a. The sales price from the sale of wind energy conversion property or hydroelectricity conversion property to be used as an electric power source and the sale of the materials used to manufacture, install, or construct wind energy conversion property or hydroelectricity conversion property used or to be used as an electric power source.

b. For purposes of [this subsection](#):

(1) “*Wind energy conversion property*” means any device, including but not limited to a wind charger, windmill, wind turbine, tower and electrical equipment, pad mount transformers, power lines, and substation, which converts wind energy to a form of usable energy.

(2) “*Hydroelectricity conversion property*” means any device, including but not limited to a generator, turbine, powerhouse, intake, coffer dam, walls, water conduit, tailrace, any other concrete components, electrical equipment substation, poles, wires, transformers, breakers, and switches used to convert water, water power, or hydroelectricity to a form of usable energy.

55. The sales price from the sales of newspapers, free newspapers, or shoppers guides and the printing and publishing of such newspapers and shoppers guides, and envelopes for advertising.

56. The sales price from the sale of motor fuel, special fuel, and electric fuel consumed for highway use or in watercraft or aircraft where the fuel tax has been imposed and paid and no refund has been or will be allowed and the sales price from the sales of ethanol blended gasoline, as defined in [section 214A.1](#).

57. The sales price from all sales of food and food ingredients. However, as used in [this subsection](#), a sale of “*food and food ingredients*” does not include a sale of alcoholic beverages, candy, or dietary supplements; food sold through vending machines; or sales of prepared food, soft drinks, or tobacco. For the purposes of [this subsection](#):

a. “*Alcoholic beverages*” means beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume.

b. “*Candy*” means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces. Candy shall not include any preparation containing flour and shall require no refrigeration.

c. “*Dietary supplement*” means any product, other than tobacco, intended to supplement the diet that meets all of the following criteria:

(1) The product contains one or more of the following dietary ingredients:

(a) A vitamin.

(b) A mineral.

(c) An herb or other botanical.

(d) An amino acid.

(e) A dietary substance for use by humans to supplement the diet by increasing the total dietary intake.

(f) A concentrate, metabolite, constituent, extract, or combination of any of the ingredients in subparagraph divisions (a) through (e).

(2) The product is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such a form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet.

(3) The product is required to be labeled as a dietary supplement, identifiable by the “supplement facts” box found on the label and as required pursuant to [21 C.F.R. §101.36](#).

d. “*Food and food ingredients*” means substances, whether in liquid, concentrated, solid,

frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. “Food and food ingredients” includes beverage-grade carbon dioxide gas.

e. “Food sold through vending machines” means food dispensed from a machine or other mechanical device that accepts payment, other than food which would be qualified for exemption under [subsection 58](#) if purchased with a coupon described in [subsection 58](#).

f. “Prepared food” means any of following:

- (1) Food sold in a heated state or heated by the seller, including food sold by a caterer.
- (2) Two or more food ingredients mixed or combined by the seller for sale as a single item.
- (3) “Prepared food”, for the purposes of this paragraph, does not include food that is any of the following:

- (a) Only cut, repackaged, or pasteurized by the seller.
- (b) Eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the United States food and drug administration, ch. 3, part 401.11 of its food code, so as to prevent foodborne illnesses.

- (c) Bakery items sold by the seller which baked them. The words “bakery items” includes but is not limited to breads, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas.

- (d) Food sold without eating utensils provided by the seller in an unheated state as a single item which is priced by weight or volume.

- (e) Food sold that ordinarily requires additional cooking by the consumer prior to consumption.

- (4) Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport food.

g. “Soft drinks” means nonalcoholic beverages that contain natural or artificial sweeteners. “Soft drinks” does not include beverages that contain milk or milk products; soy, rice, or similar milk substitutes; or greater than fifty percent of vegetable or fruit juice by volume.

h. “Tobacco” means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco.

58. The sales price from the sale of items purchased with a supplemental nutrition assistance program benefit transfer instrument as defined in [section 234.13](#), or other method of payment authorized by the United States department of agriculture, and issued under the federal Food Stamp Act of 1977, 7 U.S.C. §2011 et seq. or under the federal supplemental nutritional assistance program established in 7 U.S.C. §2013.

59. In transactions in which tangible personal property is traded toward the sales price of other tangible personal property, that portion of the sales price which is not payable in money to the retailer is exempted from the taxable amount if the following conditions are met:

- a. The tangible personal property traded to the retailer is the type of property normally sold in the regular course of the retailer’s business.

- b. The tangible personal property traded to the retailer is intended by the retailer to be ultimately sold at retail or is intended to be used by the retailer or another in the remanufacturing of a like item.

60. The sales price from the sale of prescription drugs, durable medical equipment, mobility enhancing equipment, prosthetic devices, and other medical devices intended for human use or consumption. For the purposes of [this subsection](#):

- a. “Drug” means a compound, substance, or preparation, and any component of a compound, substance, or preparation, other than food and food ingredients, dietary supplements, or alcoholic beverages, which is any of the following:

- (1) Recognized in the official United States pharmacopoeia, official homeopathic pharmacopoeia of the United States, or official national formulary, and supplement to any of them.

- (2) Intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease.

- (3) Intended to affect the structure or any function of the body.

- b. “Durable medical equipment” means equipment, including repair and replacement

parts, and all components or attachments, but does not include mobility enhancing equipment, to which all of the following apply:

- (1) Can withstand repeated use.
- (2) Is primarily and customarily used to serve a medical purpose.
- (3) Generally is not useful to a person in the absence of illness or injury.
- (4) Is not worn in or on the body.
- (5) Is for home use only.
- (6) Is prescribed by a practitioner.

c. “*Mobility enhancing equipment*” means equipment, including repair and replacement parts, but does not include durable medical equipment, to which all of the following apply:

- (1) Is primarily and customarily used to provide or increase the ability to move from one place to another and which is appropriate for use either in a home or a motor vehicle.
- (2) Is not generally used by persons with normal mobility.
- (3) Does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.
- (4) Is prescribed by a practitioner.

d. “*Other medical device*” means equipment or a supply that is not a drug, durable medical equipment, mobility enhancing equipment, or prosthetic device. “*Other medical devices*” includes but is not limited to ostomy, urological, and tracheostomy supplies, diabetic testing materials, hypodermic syringes and needles, anesthesia trays, biopsy trays and biopsy needles, cannula systems, catheter trays and invasive catheters, fistula sets, irrigation solutions, intravenous administering solutions and stopcocks, myelogram trays, small vein infusion kits, spinal puncture trays, and venous blood sets intended to be dispensed for human use with or without a prescription to an ultimate user.

e. “*Practitioner*” means a practitioner as defined in [section 155A.3](#), or a person licensed to prescribe drugs.

f. “*Prescription*” means an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a practitioner.

g. “*Prescription drug*” means a drug intended to be dispensed to an ultimate user pursuant to a prescription drug order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner, or oxygen or insulin dispensed for human consumption with or without a prescription drug order or medication order.

h. (1) “*Prosthetic device*” means a replacement, corrective, or supportive device including repair and replacement parts for the same worn on or in the body to do any of the following:

- (a) Artificially replace a missing portion of the body.
- (b) Prevent or correct physical deformity or malfunction.
- (c) Support a weak or deformed portion of the body.

(2) “*Prosthetic device*” includes but is not limited to orthopedic or orthotic devices, ostomy equipment, urological equipment, tracheostomy equipment, and intraocular lenses.

i. “*Ultimate user*” means an individual who has lawfully obtained and possesses a prescription drug or medical device for the individual’s own use or for the use of a member of the individual’s household, or an individual to whom a prescription drug or medical device has been lawfully supplied, administered, dispensed, or prescribed.

61. The sales price from services furnished by aerial commercial and charter transportation services.

62. The sales price from the sale of raffle tickets for a raffle licensed and conducted at a fair pursuant to [section 99B.24](#).

63. The sales price from the sale of tangible personal property, specified digital products, or services which will be given as prizes to players in games of skill, games of chance, raffles, and bingo games as defined in [chapter 99B](#).

64. The sales price from the sale of a modular home, as defined in [section 435.1](#), to the extent of the portion of the purchase price of the modular home which is not attributable to the cost of the tangible personal property used in the processing of the modular home. For purposes of this exemption, the portion of the purchase price which is not attributable to the cost of the tangible personal property used in the processing of the modular home is forty percent.

65. Reserved.

66. Reserved.

67. Reserved.

68. *a.* The sales price from the sale of an article of clothing designed to be worn on or about the human body if all of the following apply:

(1) The sales price of the article is less than one hundred dollars.

(2) The sale takes place during a period beginning at 12:01 a.m. on the first Friday in August and ending at midnight on the following Saturday.

b. [This subsection](#) does not apply to any of the following:

(1) Sport or recreational equipment and protective equipment.

(2) Clothing accessories or equipment.

(3) The rental of clothing.

c. For purposes of [this subsection](#):

(1) “*Clothing*” means all human wearing apparel suitable for general use.

(a) “*Clothing*” includes but is not limited to the following: aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders; boots; coats and jackets; costumes; earmuffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties; overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoelaces; slippers; sneakers; socks and stockings; steel-toed shoes; underwear; uniforms, athletic and nonathletic; and wedding apparel.

(b) “*Clothing*” does not include the following: belt buckles sold separately; costume masks sold separately; patches and emblems sold separately; sewing equipment and supplies (including but not limited to knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles); and sewing materials that become part of clothing (including but not limited to buttons, fabric, lace, thread, yarn, and zippers).

(2) “*Clothing accessories or equipment*” means incidental items worn on the person or in conjunction with clothing. “*Clothing accessories or equipment*” includes but is not limited to the following: briefcases; cosmetics; hair notions (including but not limited to barrettes, hair bows, and hair nets); handbags; handkerchiefs; jewelry; sunglasses, nonprescription; umbrellas; wallets; watches; and wigs and hairpieces.

(3) “*Protective equipment*” means items for human wear and designed as protection for the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use. “*Protective equipment*” includes but is not limited to the following: breathing masks; clean room apparel and equipment; ear and hearing protectors; face shields; hard hats; helmets; paint or dust respirators; protective gloves; safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.

(4) “*Sport or recreational equipment*” means items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use. “*Sport or recreational equipment*” includes but is not limited to the following: ballet and tap shoes; cleated or spiked athletic shoes; gloves (including but not limited to baseball, bowling, boxing, hockey, and golf); goggles; hand and elbow guards; life preservers and vests; mouth guards; roller and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins.

69. The sales price from charges paid for the delivery of electricity or natural gas if the sale or furnishing of the electricity or natural gas or its use is exempt from the tax on sales prices imposed under [this subchapter](#) or from the use tax imposed under [subchapter III](#).

69A. The sales price from surcharges paid for 911 service and wireless 911 service pursuant to [chapter 34A](#).

70. The sales price of delivery charges. This exemption does not apply to the delivery of electric energy or natural gas.

71. The sales price from sales of tangible personal property used or to be used as railroad rolling stock for transporting persons or property, or as materials or parts therefor.

72. The sales price from the sales of special fuel for diesel engines consumed or used in the operation of ships, barges, or waterborne vessels which are used primarily in or for the transportation of property or cargo, or the conveyance of persons for hire on rivers bordering

on the state if the fuel is delivered by the seller to the purchaser's barge, ship, or waterborne vessel while it is afloat upon such a river.

73. The sales price from sales of vehicles subject to registration or subject only to the issuance of a certificate of title and sales of aircraft subject to registration under [section 328.20](#).

74. The sales price from the sale of aircraft for use in a scheduled interstate federal aviation administration certificated air carrier operation.

75. Reserved.

76. The sales price from the sale of tangible personal property permanently affixed or attached as a component part of the aircraft, including but not limited to repair or replacement materials or parts; and the sales price of all services used for aircraft repair, remodeling, and maintenance services when such services are performed on aircraft, aircraft engines, or aircraft component materials or parts. For the purposes of this exemption, "aircraft" means the same as defined in [section 328.1](#).

77. *a.* The sales price from the sale of aircraft to an aircraft dealer who in turn rents or leases the aircraft if all of the following apply:

(1) The aircraft is kept in the inventory of the dealer for sale at all times.

(2) The dealer reserves the right to immediately take the aircraft from the renter or lessee when a buyer is found.

(3) The renter or lessee is aware that the dealer will immediately take the aircraft when a buyer is found.

b. If an aircraft exempt under [this subsection](#) is used for any purpose other than leasing or renting, or the conditions in paragraph "a", subparagraphs (1), (2), and (3), are not continuously met, the dealer claiming the exemption under [this subsection](#) is liable for the tax that would have been due except for [this subsection](#). The tax shall be computed upon the original purchase price.

78. *a.* The sales price from the sale of tangible personal property, specified digital products, or services rendered by any entity where the profits from the sale of the tangible personal property, specified digital products, or services rendered, are used by or donated to a nonprofit entity that is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code, a government entity, or a nonprofit private educational institution, and where the entire profits are expended for any of the following purposes:

(1) Educational.

(2) Religious.

(3) Charitable. A charitable act is an act done out of goodwill, benevolence, and a desire to add to or to improve the good of humankind in general or any class or portion of humankind, with no pecuniary profit inuring to the person performing the service or giving the gift.

b. For purposes of this exemption, an organization that meets the requirements of paragraph "a" and which is created for the sole or primary purpose of providing athletic activities to youth shall be considered created for an educational purpose.

c. Except as otherwise provided in [subsection 97](#), this exemption does not apply to the sales price from games of skill, games of chance, raffles, and bingo games as defined in [chapter 99B](#). This exemption is disallowed on the amount of the sales price only to the extent the profits are not used by or donated to the appropriate entity and expended for educational, religious, or charitable purposes.

79. The sales price from the sale of tangible personal property or specified digital products, or from services furnished, to a recognized community action agency as provided in [section 216A.93](#) to be used for the purposes of the agency.

80. *a.* For purposes of [this subsection](#), "designated exempt entity" means any of the following:

(1) An entity which is designated in [section 423.4, subsection 1 or 6](#).

(2) An entity which is an instrumentality of a county or municipal government, including an agent of such entity, if the entity was created for the purpose of owning, including pursuant to a lease-purchase agreement, real property located within a reinvestment district established under [chapter 15J](#).

b. Subject to the limitations in paragraph "c", if a contractor, subcontractor, or builder

is to use building materials, supplies, equipment, or services in the performance of a written construction contract with a designated exempt entity, the person shall purchase such items of tangible personal property or services without liability for the tax if such property or services will be used in the performance of the written construction contract and a purchasing agent authorization letter and an exemption certificate, issued by the designated exempt entity, are presented to the retailer.

c. (1) With regard to a written construction contract with a designated exempt entity described in paragraph “a”, subparagraph (1), the sales price of building materials, supplies, equipment, or services is exempt from tax by [this subsection](#) only to the extent the building materials, supplies, equipment, or services are completely consumed in the performance of the construction contract with the designated exempt entity, and only if the property that is the subject of the construction project becomes public property or the property of the designated exempt entity.

(2) With regard to a written construction contract with a designated exempt entity described in paragraph “a”, subparagraph (2), the sales price of building materials, supplies, equipment, or services is exempt from tax by [this subsection](#) only to the extent the building materials, supplies, equipment, or services are completely consumed in the performance of a construction contract to construct a project, as defined in [section 15J.2, subsection 10](#), which project has been approved by the economic development authority board in accordance with [chapter 15J](#).

d. Subject to the limitations in paragraph “c”, where the owner, contractor, subcontractor, or builder is also a retailer holding a sales or use tax permit and transacting retail sales of building materials, supplies, and equipment, the tax shall not be due when materials are withdrawn from inventory for use in construction performed for a designated exempt entity if an exemption certificate is received from such entity.

e. Subject to the limitations in paragraph “c”, tax shall not apply to tangible personal property purchased and consumed by a manufacturer as building materials, supplies, or equipment in the performance of a construction contract for a designated exempt entity, if a purchasing agent authorization letter and an exemption certificate are received from such entity and presented to a retailer.

81. The sales price from the sales of lottery tickets or shares pursuant to [chapter 99G](#).

82. a. The sales price from the sale of core-making, mold-making, and sand-handling machinery and equipment, including replacement parts, directly and primarily used in the mold-making process by a foundry.

b. The sales price from the sale of fuel used in creating heat, power, steam, or for generating electric current, or from the sale of electricity, consumed by core-making, mold-making, and sand-handling machinery and equipment used directly and primarily in the mold-making process by a foundry.

c. The sales price from the furnishing of the design and installation, including electrical and electronic installation, of core-making, mold-making, and sand-handling machinery and equipment used directly and primarily in the mold-making process by a foundry.

83. The sales price from noncustomer point of sale or noncustomer automated teller machine access or service charges assessed by a financial institution. For purposes of [this subsection](#), “financial institution” means the same as defined in [section 527.2](#).

84. a. Subject to paragraph “b”, the sales price from the sale or furnishing of metered gas, electricity, and fuel, including propane and heating oil, to residential customers which is used to provide energy for residential dwellings and units of apartment and condominium complexes used for human occupancy.

b. The exemption in [this subsection](#) shall be phased in by means of a reduction in the tax rate as follows:

(1) If the date of the utility billing or meter reading cycle of the residential customer for the sale or furnishing of metered gas and electricity is on or after January 1, 2004, through December 31, 2004, or if the sale or furnishing of fuel for purposes of residential energy and the delivery of the fuel occurs on or after January 1, 2004, through December 31, 2004, the rate of tax is two percent of the sales price.

(2) If the date of the utility billing or meter reading cycle of the residential customer for

the sale or furnishing of metered gas and electricity is on or after January 1, 2005, through December 31, 2005, or if the sale or furnishing of fuel for purposes of residential energy and the delivery of the fuel occurs on or after January 1, 2005, through December 31, 2005, the rate of tax is one percent of the sales price.

(3) If the date of the utility billing or meter reading cycle of the residential customer for the sale or furnishing of metered gas and electricity is on or after January 1, 2006, or if the sale, furnishing, or service of fuel for purposes of residential energy and the delivery of the fuel occurs on or after January 1, 2006, the rate of tax is zero percent of the sales price.

c. The exemption in [this subsection](#) does not apply to local option sales and services tax imposed pursuant to [chapter 423B](#) and [chapter 423E](#), Code 2023.

85. The sales price from the sale of the following items: self-propelled building equipment, pile drivers, motorized scaffolding, or attachments customarily drawn or attached to self-propelled building equipment, pile drivers, and motorized scaffolding, including auxiliary attachments which improve the performance, safety, operation, or efficiency of the equipment, and replacement parts and are directly and primarily used by contractors, subcontractors, and builders for new construction, reconstruction, alterations, expansion, or remodeling of real property or structures.

86. a. The sales price from services performed on a vessel if all of the following apply:

(1) The vessel is a licensed vessel under the laws of the United States coast guard.

(2) The service is used to repair or restore a defect in the vessel.

(3) The vessel is engaged in interstate commerce and will continue in interstate commerce once the repairs or restoration is completed.

(4) The vessel is in navigable water that borders a boundary of this state.

b. For purposes of this exemption, “vessel” includes a ship, barge, or other waterborne vessel.

87. The sales price from the sales of toys to a nonprofit organization exempt from federal income tax under section 501 of the Internal Revenue Code that purchases the toys from donations collected by the nonprofit organization and distributes the toys to children at no cost.

88. The sales price from the sale of building materials, supplies, or tangible personal property sold to a nonprofit Iowa affiliate of a nonprofit international organization whose primary activity is the promotion of the construction, remodeling, or rehabilitation of one-family or two-family dwellings for use by low-income families and where the building materials, supplies, or tangible personal property are used in the construction, remodeling, or rehabilitation of such dwellings.

89. a. The sales price of all tangible personal property sold, or of services furnished, which are used in the fulfillment of a written construction contract for the original construction of a building or structure to be used as a collaborative educational facility.

b. The sales price of all tangible personal property sold, or of services furnished, which are used in the fulfillment of a written construction contract for the construction of additions or modifications to a building or structure used as part of a collaborative educational facility.

c. To receive the exemption provided in paragraph “a” or “b”, a collaborative educational facility must meet all of the criteria in paragraph “d” or “e”:

d. (1) The contract for construction of the building or structure is entered into on or after April 1, 2003.

(2) The building or structure is located within the corporate limits of a city in the state with a population in excess of one hundred ninety-five thousand residents.

(3) The sole purpose of the building or structure is to provide facilities for a collaborative of public and private educational institutions that provide education to students.

(4) The owner of the building or structure is a nonprofit corporation governed by [chapter 504](#) or former chapter 504A which is exempt from federal income tax pursuant to section 501(a) of the Internal Revenue Code.

e. (1) The contract for construction of the building or structure is entered into on or after May 15, 2007.

(2) The sole purpose of the building or structure is to provide facilities for a regional

academy under a collaborative of public and private educational institutions that includes a community college established under [chapter 260C](#) that provide education to students.

(3) The owner of the building or structure is a qualified charitable nonprofit corporation governed by [chapter 504](#) or former chapter 504A which is exempt from federal income tax pursuant to section 501(c)(3) of the Internal Revenue Code.

f. References to “building” or “structure” in paragraphs “d” and “e” include any additions or modifications to the building or structure.

90. The sales price from the sale of solar energy equipment. For purposes of [this subsection](#), “solar energy equipment” means equipment that is primarily used to collect and convert incident solar radiation into thermal, mechanical, or electrical energy or equipment that is primarily used to transform such converted solar energy to a storage point or to a point of use.

91. a. The sales price from the sale of coins, currency, or bullion.

b. For purposes of [this subsection](#):

(1) “Bullion” means bars, ingots, or commemorative medallions of gold, silver, platinum, palladium, or a combination of these where the value of the metal depends on its content and not the form.

(2) “Coins” or “currency” means a coin or currency made of gold, silver, or other metal or paper which is or has been used as legal tender.

92. a. (1) The sales price from the sale of computers and equipment that are necessary for the maintenance and operation of a web search portal and property whether directly or indirectly connected to the computers, including but not limited to cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of the web search portal, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the web search portal.

(2) The sales price of backup power generation fuel, that is purchased by a web search portal business for use in the items listed in subparagraph (1).

(3) The sales price of electricity purchased for use in providing a web search portal.

b. For the purpose of claiming this exemption, all of the following requirements shall be met:

(1) The business of the purchaser shall be as a provider of a web search portal.

(2) The web search portal business shall have a physical location in the state that is used for the operations and maintenance of the web search portal site on the internet including but not limited to research and development to support capabilities to organize information and to provide internet access, navigation, and search.

(3) The web search portal business shall make a minimum investment in an Iowa physical location of two hundred million dollars within the first six years of operation in Iowa beginning with the date the web search portal business initiates site preparation activities. The minimum investment includes the initial investment, including land and subsequent acquisition of additional adjacent land and subsequent investment at the Iowa location.

(4) The web search portal business shall purchase, option, or lease Iowa land not later than December 31, 2008, for any initial investment. However, the December 31, 2008, date shall not affect the future purchases of adjacent land and additional investment in the initial or adjacent land to qualify as part of the minimum investment for purposes of this exemption.

c. This exemption applies from the date of the initial investment in or the initiation of site preparation activities for the web search portal facility as described in paragraph “b”. For purposes of claiming this exemption, the requirements may be met by aggregating the various Iowa investments and other requirements of the web search portal business’s affiliates. This exemption applies to affiliates of the web search portal business.

d. Failure to meet eighty percent of the minimum investment amount requirement specified in paragraph “b” within the first six years of operation from the date the web search portal business initiates site preparation activities will result in the web search portal business losing the right to claim this exemption and the web search portal business shall

pay all sales or use tax that would have been due on the purchase or use of the items listed in this exemption, plus any applicable penalty and interest imposed by statute.

e. For purposes of [this subsection](#):

(1) “Affiliate” means an entity that directly or indirectly controls, is controlled with or by, or is under common control with another entity.

(2) “Control” means any of the following:

(a) In the case of a United States corporation, the ownership, directly or indirectly, of fifty percent or more of the voting power to elect directors.

(b) In the case of a foreign corporation, if the voting power to elect the directors is less than fifty percent, the maximum amount allowed by applicable law.

(c) In the case of an entity other than a corporation, fifty percent or more ownership interest in the entity, or the power to direct the management of the entity.

(3) “Web search portal business” means an entity among whose primary businesses is to provide a search portal to organize information; to access, search, and navigate the internet, including research and development to support capabilities to organize information; and to provide internet access, navigation, and search functionalities.

93. a. (1) The sales price from the sale of computers and equipment that are necessary for the maintenance and operation of a web search portal business and property whether directly or indirectly connected to the computers, including but not limited to cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of the web search portal business, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the web search portal business.

(2) The sales price of backup power generation fuel, that is purchased by a web search portal business for use in the items listed in subparagraph (1).

(3) The sales price of electricity purchased for use by a web search portal business.

b. For the purpose of claiming this exemption, all of the following requirements shall be met:

(1) The purchaser shall be a web search portal business.

(2) The web search portal business shall have a physical location in the state that is used for the operations and maintenance of the web search portal business.

(3) The web search portal business shall make a minimum investment in an Iowa physical location of two hundred million dollars within the first six years of operation in Iowa beginning with the date the web search portal business initiates site preparation activities. The minimum investment includes the initial investment, including land and subsequent acquisition of additional adjacent land and subsequent investment at the Iowa location.

(4) The web search portal business shall purchase, option, or lease Iowa land not later than December 31, 2008, for any initial investment. However, the December 31, 2008, date shall not affect the future purchases of adjacent land and additional investment in the initial or adjacent land to qualify as part of the minimum investment for purposes of this exemption.

c. This exemption applies from the date of the initial investment in or the initiation of site preparation activities for the web search portal facility as described in paragraph “b”. For purposes of claiming this exemption, the requirements may be met by aggregating the various Iowa investments and other requirements of the web search portal business’s affiliates. This exemption applies to affiliates of the web search portal business.

d. Failure to meet eighty percent of the minimum investment amount requirement specified in paragraph “b” within the first six years of operation from the date the web search portal business initiates site preparation activities will result in the web search portal business losing the right to claim this web search portal business exemption and the web search portal business shall pay all sales or use tax that would have been due on the purchase or use of the items listed in this exemption, plus any applicable penalty and interest imposed by statute.

e. For purposes of [this subsection](#):

(1) “Affiliate” means an entity that directly or indirectly controls, is controlled with or by, or is under common control with another entity.

(2) “Control” means any of the following:

(a) In the case of a United States corporation, the ownership, directly or indirectly, of fifty percent or more of the voting power to elect directors.

(b) In the case of a foreign corporation, if the voting power to elect the directors is less than fifty percent, the maximum amount allowed by applicable law.

(c) In the case of an entity other than a corporation, fifty percent or more ownership interest in the entity, or the power to direct the management of the entity.

(3) “Web search portal business” means an entity whose business among other businesses is to provide a search portal to organize information; to access, search, and navigate the internet, including research and development to support capabilities to organize information; or to provide internet access, navigation, or search functionalities.

94. Water use permit fees paid pursuant to [section 455B.265](#).

95. a. (1) The sales price from the sale of computers and equipment that are necessary for the maintenance and operation of a data center business and property whether directly or indirectly connected to the computers, including but not limited to cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of the data center business, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the data center business.

(2) The sales price of backup power generation fuel that is purchased by a data center business for use in the items listed in subparagraph (1).

(3) The sales price of electricity purchased for use by a data center business.

b. For the purpose of claiming this exemption, all of the following requirements shall be met:

(1) The purchaser shall be a data center business.

(2) The data center business shall have a physical location in the state that is, in the aggregate, at least five thousand square feet in size that is used for the operations and maintenance of the data center business.

(3) The data center business shall make a minimum investment in an Iowa physical location of two hundred million dollars within the first six years of operation in Iowa beginning with the date the data center business initiates site preparation activities. The minimum investment includes the initial investment, including land and subsequent acquisition of additional adjacent land and subsequent investment at the Iowa location.

(4) The data center business shall comply with the sustainable design and construction standards established by the state building code commissioner pursuant to [section 103A.8B](#).

c. This exemption applies from the date of the initial investment in or the initiation of site preparation activities for the data center business facility as described in paragraph “b”.

d. Failure to meet eighty percent of the minimum investment amount requirement specified in paragraph “b” within the first six years of operation from the date the data center business initiates site preparation activities will result in the data center business losing the right to claim this data center business exemption and the data center business shall pay all sales or use tax that would have been due on the purchase or use of the items listed in this exemption, plus any applicable penalty and interest imposed by statute.

e. For purposes of [this subsection](#):

(1) “Data center” means a building rehabilitated or constructed to house a group of networked server computers in one physical location in order to centralize the storage, management, and dissemination of data and information pertaining to a particular business, taxonomy, or body of knowledge. A data center business’s facility typically includes the mechanical and electrical systems, redundant or backup power supplies, redundant data communications connections, environmental controls, and fire suppression systems. A data center business’s facility also includes a restricted access area employing advanced physical security measures such as video surveillance systems and card-based security or biometric security access systems.

(2) “Data center business” means an entity whose business among other businesses, is to operate a data center.

96. The sale price of fees charged for the release of medical records as described in [section 622.10](#).

97. The sales price from raffles, as raffle is defined in [section 99B.1](#), if the raffle provides for educational scholarships and is conducted by a qualified organization representing veterans as defined in [section 99B.27](#).

98. The sales price from the sale of water, electricity, chemicals, solvents, sorbents, or reagents to a retailer to be used in providing a service that includes a vehicle wash and wax, which vehicle wash and wax service is subject to [section 423.2, subsection 6](#).

99. a. The sales price from the sale of chemicals, solvents, sorbents, reagents, or other tangible personal property used in providing a vehicle repair service subject to [section 423.2, subsection 6](#), if all of the following conditions are met:

(1) The chemicals, solvents, sorbents, reagents, or other tangible personal property are directly and primarily used in providing the vehicle repair service.

(2) The chemicals, solvents, sorbents, reagents, or other tangible personal property are consumed or dissipated in providing the vehicle repair service.

(3) The chemicals, solvents, sorbents, reagents, or other tangible personal property will come into physical contact with the vehicle upon which the vehicle repair service is performed.

b. The exemption under [this subsection](#) does not apply to tangible personal property that can be used to provide multiple vehicle repair services, including but not limited to machinery, tools, and equipment.

100. The sales price from services furnished by forestry consultants and forestry vendors engaged in forestry practices on private or public land.

101. The sales price for the use of a self-pay washer or dryer.

102. The sales price from the furnishing of environmental testing services performed at a laboratory, in the field, or by a mobile testing service. For purposes of this subsection, “environmental testing” means the physical or chemical analysis of soil, water, wastewater, air, or solid waste performed in order to ascertain the presence of environmental contamination or degradation.

103. a. The sales price from the sale or furnishing by a water utility of a water service in the state to consumers or users.

b. For purposes of [this subsection](#):

(1) “Water service” means the delivery of water by piped distribution system.

(2) “Water utility” means a public utility as defined in [section 476.1](#) that furnishes water by piped distribution system to the public for compensation.

104. a. The sales price of specified digital products and of prewritten computer software sold, and of enumerated services described in [section 423.2, subsection 1](#), paragraph “a”, subparagraph (5), or [section 423.2, subsection 6](#), paragraphs “bq”, “br”, “bs”, and “bu” furnished, to a commercial enterprise for use exclusively by the commercial enterprise. The use of prewritten computer software, a specified digital product, or service fails to qualify as a use exclusively by the commercial enterprise if its use for noncommercial purposes is more than de minimis.

b. For purposes of [this subsection](#):

(1) “Commercial enterprise” means the same as defined in [subsection 47](#), paragraph “d”, subparagraph (1), but also includes professions and occupations, and includes public utilities as defined in [section 476.1, subsection 2](#).

(2) “De minimis” and “noncommercial purposes” shall be defined by the director by rule.

105. The sales price of specified digital products sold to a non-end user. For purposes of [this subsection](#), “non-end user” means a person who receives by contract a specified digital product for further commercial broadcast, rebroadcast, transmission, retransmission, licensing, relicensing, distribution, redistribution, or exhibition of the product, in whole or in part, to another person.

106. The sales price for transportation services furnished by emergency or nonemergency

medical transportation, by a paratransit service, and by a public transit system as defined in [section 324A.1](#).

107. The sales price of the sale of tangible personal property sold to and of services furnished to a nonprofit food bank, if the property or services are used by the nonprofit food bank for a charitable purpose. For purposes of [this subsection](#), “*nonprofit food bank*” means an organization organized under [chapter 504](#) and qualifying under section 501(c)(3) of the Internal Revenue Code as an organization exempt from federal income tax under section 501(a) of the Internal Revenue Code that maintains an established operation involving the provision of food or edible commodities or the products thereof on a regular basis to persons in need or to food pantries, soup kitchens, hunger relief centers, or other food or feeding centers that, as an integral part of their normal activities, provide meals or food on a regular basis to persons in need.

108. The sales price from the sale of feminine hygiene products. For purposes of [this subsection](#), “*feminine hygiene products*” means tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle.

109. The sales price from the sale of a child or adult diaper, whether cloth or disposable.

110. a. The sales price on the lease or rental of a motor vehicle between affiliates when the lessor or entity providing the motor vehicle for lease or rental has paid a fee imposed under [section 321.105A](#) on the motor vehicle leased or rented prior to such lease or rental to the affiliate.

b. For purposes of [this subsection](#):

(1) “*Affiliate*” means a lessor or entity providing the motor vehicle for rental that directly or indirectly controls, is controlled with or by, or is under common control with the lessee or renter.

(2) “*Control*” or “*controlled*” means any of the following:

(a) In the case of a United States corporation, the ownership, directly or indirectly, of fifty percent or more of the voting power to elect directors.

(b) In the case of a foreign corporation, if the voting power to elect the directors is less than fifty percent, the maximum amount allowed by applicable law.

(c) In the case of an entity other than a corporation, fifty percent or more ownership interest in the entity, or the power to direct the management of the entity.

2003 Acts, 1st Ex, ch 2, §96, 205; 2004 Acts, ch 1022, §4; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1073, §26, 27; 2004 Acts, ch 1086, §105; 2004 Acts, ch 1133, §1; 2004 Acts, ch 1175, §320, 394; 2005 Acts, ch 71, §1; 2005 Acts, ch 134, §1; 2005 Acts, ch 140, §6 – 11, 16, 30, 44 – 46, 72, 73; 2006 Acts, ch 1001, §1, 2, 4, 5; 2006 Acts, ch 1134, §1; 2006 Acts, ch 1158, §40 – 44; 2006 Acts, ch 1161, §5, 7; 2006 Acts, ch 1162, §1; 2006 Acts, ch 1185, §128; 2007 Acts, ch 22, §74, 75; 2007 Acts, ch 186, §21, 22; 2007 Acts, ch 199, §1; 2007 Acts, ch 215, §112, 125; 2008 Acts, ch 1006, §1; 2008 Acts, ch 1163, §1; 2008 Acts, ch 1184, §55, 56; 2009 Acts, ch 133, §144; 2009 Acts, ch 179, §136, 197, 218 – 220; 2010 Acts, ch 1031, §388; 2010 Acts, ch 1148, §1; 2011 Acts, ch 25, §41, 42, 85 – 87, 143; 2011 Acts, ch 92, §6; 2012 Acts, ch 1019, §131; 2012 Acts, ch 1104, §1; 2012 Acts, ch 1110, §18, 19; 2012 Acts, ch 1121, §13, 14; 2012 Acts, ch 1125, §1; 2012 Acts, ch 1139, §2, 3, 6; 2013 Acts, ch 11, §1; 2013 Acts, ch 70, §12 – 15; 2013 Acts, ch 92, §1; 2013 Acts, ch 138, §59; 2013 Acts, ch 140, §127, 128; 2014 Acts, ch 1026, §89; 2014 Acts, ch 1050, §1; 2014 Acts, ch 1093, §22; 2014 Acts, ch 1127, §2, 3; 2014 Acts, ch 1129, §1; 2015 Acts, ch 30, §120; 2015 Acts, ch 94, §1; 2015 Acts, ch 99, §54; 2015 Acts, ch 114, §2; 2015 Acts, ch 116, §15, 16, 19, 20; 2016 Acts, ch 1007, §8, 9; 2016 Acts, ch 1128, §6, 16, 18, 27; 2018 Acts, ch 1001, §10, 27; 2018 Acts, ch 1026, §132, 133; 2018 Acts, ch 1155, §1; 2018 Acts, ch 1161, §175 – 188, 229, 230; 2019 Acts, ch 59, §125; 2019 Acts, ch 141, §1; 2019 Acts, ch 151, §20, 46; 2019 Acts, ch 152, §22 – 24, 32, 34, 54 – 56; 2020 Acts, ch 1063, §227, 228; 2020 Acts, ch 1118, §38 – 40, 50, 51, 96; 2021 Acts, ch 75, §6; 2021 Acts, ch 86, §53 – 69; 2021 Acts, ch 177, §72; 2022 Acts, ch 1021, §102, 103, 181, 187; 2022 Acts, ch 1125, §8, 9; 2022 Acts, ch 1138, §7 – 9, 40 – 45, 61, 63, 64; 2023 Acts, ch 19, §1123 – 1125, 1419, 2017; 2023 Acts, ch 66, §101; 2024 Acts, ch 1043, §90; 2024 Acts, ch 1098, §1; 2024 Acts, ch 1170, §369; 2024 Acts, ch 1172, §2, 4, 5

Referred to in §2.48, 8G.4, 15.491, 123.173A, 135Q.1, 321.105A, 423.1, 423.2, 423.4, 423.6, 423.33, 423C.3, 423G.2, 423G.4, 427.1(35)(a), 427.1(35)(b), 427.1(36)(a), 427.1(36)(b), 427.1(37)(a), 622.10

For future amendment to subsection 18, paragraph d, effective July 1, 2025, see 2024 Acts, ch 1161, §125, 137

2020 amendment to subsection 3A applies retroactively to July 1, 2005; refunds of taxes, interest, or penalties arising from claims for sales occurring between that date and June 29, 2020, not allowed; 2020 Acts, ch 1118, §48, 51

2022 amendment to subsection 49 applies retroactively to January 1, 2019; 2022 Acts, ch 1138, §64

Subsection 110 applies retroactively to January 1, 2015, but refunds of taxes, interest, or penalties arising from the enactment of 2024 Acts, ch 1172, for leases or rentals occurring between that date and May 17, 2024, not allowed; 2024 Acts, ch 1172, §3, 5

Code editor directive applied

Subsection 23 amended

Subsection 104, paragraph b, subparagraph (1) amended

NEW subsection 110