

CHAPTER 251
AUTOMOBILE RENTAL EXCISE TAX
[Prior to 9/7/22, see Revenue Department[701] Ch 27]

Chapter rescission date pursuant to Iowa Code section 17A.7: 4/23/30

701—251.1(423C) Definitions and characterizations. For the purposes of this chapter, terms have the same meaning as defined in Iowa Code section 423C.2. In addition, the following definitions and characterizations of words apply.

“*Automobile*” means the same as defined in Iowa Code section 423C.2(2) and does not include delivery trucks designed primarily to carry cargo rather than passengers.

“*Lessor*” is a person engaged in the business of renting automobiles to users. Included within the meaning of the term “lessor” are motor vehicle dealers licensed under Iowa Code chapter 322 to sell new and used automobiles who also rent automobiles to users. A person need not be engaged in a profit-making enterprise to be in the business of renting automobiles.

[ARC 9035C, IAB 3/19/25, effective 4/23/25]

701—251.2(423C) Tax imposed upon rental of automobiles.

251.2(1) Generally. A tax at the rate of 5 percent is imposed on the rental price of any automobile if the rental transaction is taxed under Iowa sales or Iowa use tax law. The tax imposed is in addition to the Iowa state sales or use tax. However, if the rental transaction is not subject to the state sales or use tax, then no automobile rental excise tax is due.

a. Sales tax. Sales tax is due on the rental price of the “rental” of an automobile if possession or the right to possession of the automobile is transferred, under a rental contract, in Iowa.

b. Use tax. Use tax is due on the rental price if an automobile is rented outside Iowa, used in Iowa under the rental contract, and payment of the rental price is made in Iowa at the termination of the rental agreement.

251.2(2) Administration. The director of revenue is required to administer the excise tax on automobile rental as nearly as possible in conjunction with the administration of the state sales tax.

a. Monthly reporting. On a monthly basis, the correct amount of automobile tax collected and due must be reported and remitted to the department electronically via GovConnectIowa.

b. Permit. No permit, other than an Iowa sales and use tax permit, is required to collect the tax imposed under Iowa Code chapter 423C. However, the director may require persons responsible for collecting the automobile rental excise tax to register with the department.

c. Other aspects to administration. 701—Chapters 10, 11, 201, 202, and 203 provide more information on other details of administering this tax.

[ARC 9035C, IAB 3/19/25, effective 4/23/25]

701—251.3(423C) Lessor’s obligation to collect tax. The lessor shall collect automobile rental excise tax from the user or from any other person paying the rental price for an automobile. The lessor shall collect the tax by adding the tax to the rental price of the automobile. When collected, the tax shall be stated on any billing or invoice as a distinct item separate and apart from the rental price of the automobile and separate and apart from any state or local option sales or service tax or any state use tax.

[ARC 9035C, IAB 3/19/25, effective 4/23/25]

These rules are intended to implement Iowa Code chapter 423C.

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