

CHAPTER 27  
AUTOMOBILE RENTAL EXCISE TAX

**701—27.1(422,422C,423) Definitions and characterizations.** For the purposes of this chapter, the following definitions and characterizations of words apply.

*“Automobile”* means a motor vehicle subject to registration in any state and designed primarily for carrying nine or fewer passengers. Excluded from the meaning of the term “automobile” are delivery trucks designed primarily to carry cargo rather than passengers and motorcycles and motorized bicycles.

*“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.

*“Rental”* is a transfer of possession or right of possession to an automobile to a user for a valuable consideration for a period of 60 days or less.

*“Rental price”* means the total amount of consideration valued in money for renting an automobile.

*“User”* is any person to whom possession or right of possession of an automobile is transferred for a valuable consideration for a period of 60 or fewer days.

**701—27.2(422,422C,423) Tax imposed upon rental of automobiles.** On and after July 1, 1992, 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.

See rule 701—26.68(422) for a description of automobile rentals which are subject to Iowa sales tax and rule 701—33.8(423) for a description of automobile rentals which are subject to Iowa use tax. These rules should be used with care since they involve vehicles other than an “automobile” as that word is defined for the purpose of this chapter. For instance, rule 701—26.68(422) is concerned with boats and recreational vehicles as well as automobiles and other vehicles subject to registration. Summarizing the essential content of those rules regarding automobiles:

**27.2(1)** 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.

**27.2(2)** 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.

**701—27.3(422,422C,423) Lessor’s obligation to collect tax.** The lessor shall collect this 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.

**701—27.4(422,422C,423) Administration of tax.** The excise tax on automobile rental is levied in addition to the state sales and use taxes imposed by Iowa Code chapters 422 and 423. The director of revenue is required to administer this excise tax on motor vehicle rental as nearly as possible in the fashion in which the state sales tax is administered. However, as an exception to this requirement, the director is to require only the filing of quarterly reports for motor vehicle excise tax. Quarterly, the correct amount of tax collected and due shall accompany the tax form prescribed by the department. No permit, other than an Iowa sales or use tax permit, will be required to collect the tax imposed under this chapter. However, the director may require all persons responsible for collecting and remitting motor vehicle rental excise tax to register with the department. For other aspects concerning the details of administering the tax imposed under this chapter see 701—Chapters 10, 11, 12, 13 and 14.

These rules are intended to implement Iowa Code chapters 422C and 423.

[Filed 7/17/92, Notice 6/10/92—published 8/5/92, effective 9/9/92]