# CHAPTER 214
# AGRICULTURAL RULES

[Prior to 9/7/22, see Revenue Department[701] Ch 226]

**701—214.1(423) Farm machinery and equipment and items used in agricultural production that are attached to a self-propelled implement of husbandry.** The sales price from the sale of farm machinery and equipment directly and primarily used in production of agricultural products and certain items used in agricultural production that are attached to or towed by a self-propelled implement of husbandry is exempt from sales and use tax.

**214.1(1)** *Farm machinery and equipment.*

*a.* *Exempt.* Under this rule, to be eligible for the exemption from the tax, the farm machinery or equipment must be directly and primarily used in production of agricultural products and must also be one of the following:

(1) A self-propelled implement; or

(2) An implement customarily drawn or attached to a self-propelled implement; or

(3) A grain dryer; or

(4) An auxiliary attachment that improves the performance, safety, operation, or efficiency of a qualifying implement or grain dryer; or

(5) A replacement part for any item described in subparagraph 214.1(1)*"a"*(1), (2), (3), or (4).

*b.* *Taxable.* A vehicle subject to registration as defined in Iowa Code section 423.1, an implement customarily drawn by or attached to a vehicle subject to registration, an auxiliary attachment for a vehicle subject to registration, or any replacement part for a vehicle, implement, or auxiliary attachment for a vehicle subject to registration is not eligible for the exemption allowed under this rule.

**214.1(2)** *Attachments to self-propelled implements of husbandry.*

*a.* *Exempt.* Exempt from the tax under this rule are the following items if, and only if, they are used in agricultural production:

(1) A snow blower that is to be attached to a self-propelled implement of husbandry; or

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

(3) A rotary cutter that is to be attached to a self-propelled implement of husbandry.

*b.* *Used in agricultural production.* Under this subrule, the items must be used in agricultural production, and not "directly and primarily" used in production of agricultural products as is required under subrule 214.1(1).

EXAMPLE: Farmer Jones purchases a front-mounted blade that will be attached to a self-propelled implement of husbandry (e.g., farming tractor). Farmer Jones primarily uses the blade to prepare previously uncultivated land—a use that is not for agricultural production. However, Farmer Jones sporadically uses the front-mounted blade for agricultural production. Even though Farmer Jones does not directly and primarily use the front-mounted blade in agricultural production, the front-mounted blade is exempt from sales or use tax because the blade is occasionally used in agricultural production and it is attached to a self-propelled implement of husbandry.

**214.1(3)** *Definitions and specific provisions.* For the purposes of this rule, the following definitions and provisions apply.

*a.* *Production of agricultural products.* The term "production of agricultural products" means the same as the term "agricultural production," which is defined in rule 701—200.1(423) to mean a farming operation undertaken for profit by the raising of crops or livestock. Nonexclusive examples of items not included within the meaning of the term "agricultural production" are the clearing or preparation of previously uncultivated land, the creation of farm ponds, and the erection of machine sheds, confinement facilities, storage bins, or other farm buildings. Machinery and equipment used for these purposes would be used for activities that are preparatory to, but not a part of, the production of agricultural products and, therefore, are not exempt.

*b.* *Farm machinery and equipment.* The term "farm machinery and equipment" means machinery and equipment specifically designed for use in the production of agricultural products and machinery and

equipment that are not specifically designed for use in the production of agricultural products but are directly and primarily used for that purpose.

EXAMPLE: Farmer Jones raises livestock, and his farming operation requires that fences be repaired to confine the livestock. Farmer Jones purchases a posthole digger that is customarily attached to a tractor and uses the digger to repair the fences used to confine the livestock. The posthole digger is not specifically designed for use in the production of agricultural products but is directly and primarily used in the production of agricultural products. Therefore, the exemption would apply.

*c. Self-propelled implement.* The term "self-propelled implement" means an implement that is capable of movement from one place to another under its own power. An implement is not self-propelled merely because it has moving parts. The term "self-propelled implement" includes, but is not limited to, the following items: skid loaders and tractors. The term also includes, but is not limited to, the following machinery if capable of movement under its own power: combines, corn pickers, fertilizer spreaders, hay conditioners and windrowers, sprayers, and bean buggies.

*d. Implements customarily drawn or attached to self-propelled implements.* The following is a nonexclusive, representative list of implements customarily drawn or attached to self-propelled implements: augers, balers, blowers, combines, conveyers, cultivators, disks, drags, dryers (portable), farm wagons, feeder wagons, fertilizer spreaders, front- and rear-end loaders, harrows, hay loaders, hay mowers, hay rakes, husking machines, manure spreaders, planters, plows, rotary hoes, sprayers and tanks, and tillage equipment.

*e. Directly used in agricultural production.*

(1) Property is "directly used" only if it is used to initiate, sustain, or terminate an exempt activity. In determining whether any property is directly used, consideration should be given to the following factors:

1. The physical proximity of the property to other property clearly exempt as directly used in agricultural production. The closer the property is to exempt property, the more likely it is that the property is directly used in agricultural production.

2. The chronological proximity of the use of the property in question to the use of property clearly exempt as directly used in agricultural production. The closer the proximity of the property's use within the production process to the use of exempt property, the more likely the use is direct rather than remote.

3. The active causal relationship between the use of the property in question and agricultural production. The fewer intervening causes between the use of the property and the production of the product, the more likely it is that the property is directly used in agricultural production.

(2) The fact that particular machinery or equipment is essential to the production of agricultural products because its use is required either by law or practical necessity does not, of itself, mean that the machinery or equipment is directly used in the production of agricultural products. Machinery or equipment that comes into actual physical contact with the soil or crops during the operations of planting, cultivating, harvesting, and soil preparation will be presumed to be machinery or equipment used in agricultural production.

*f. Primarily used in agricultural production.* Property is "primarily used" in agricultural production based on the total time it is used in agricultural production in comparison to the time it is used for other purposes. Any property used in agricultural production more than 50 percent of its total use time is eligible for exemption.

*g. Beginning and end of agricultural production.* Agricultural production begins with the cultivation of land previously cleared for the planting of crops or begins with the purchase or breeding of livestock or domesticated fowl. Agricultural production ceases when an agricultural product has been transported to the point where it will be sold by the producer or processed for further use.

EXAMPLE: Farmer Brown uses a tractor and wagon to haul harvested corn from a field to a grain dryer located on the farm. After the corn is dried, the same tractor and wagon are used to move the grain to a storage bin, also located on the farm. Later, the same tractor and wagon are used to deliver the corn from the farm to the local elevator where the corn is sold. After Farmer Brown deposits the corn there, the local elevator uses its own tractor and wagon to move the corn to a place of relatively permanent storage. Farmer Brown has used the tractor and wagon in the production of agricultural products, and the exemption would

apply to Farmer Brown's tractor and wagon. However, the elevator has not used its tractor and wagon in agricultural production; thus, the exemption would not be allowed for the elevator's tractor and wagon.

*h.* *Grain dryer.* The term "grain dryer" includes the heater and the blower necessary to force the warmed air into a grain storage bin. The term "grain dryer" does not include equipment, such as augers and spreaders, used in grain storage or movement, nor does it include any other equipment, such as specialized flooring, that is not a grain dryer. Equipment that is not a grain dryer but is used in grain drying may be exempt if the equipment is a self-propelled implement or customarily drawn or attached to a self-propelled implement and is directly and primarily used in agricultural production.

*i.* *Replacement parts.*

(1) The term "replacement parts" means any farm machinery or equipment that is substituted for another part that has broken, worn out or has become obsolete or otherwise unable to perform its intended function. Replacement parts are those parts that materially add to the value of farm machinery or equipment, appreciably prolong its life or keep it in its ordinarily efficient operating condition. Excluded from the meaning of the term "replacement parts" are supplies and computer software. Sales of supplies and computer software are taxable. Nonexclusive examples of supplies include lubricants, oils, greases, and coolants.

(2) Tangible personal property that has an expected useful life of 12 months or more and is used in the operation of farm machinery or equipment is rebuttably presumed to be a replacement part. Tangible personal property that is used in the same manner but has an expected useful life of less than 12 months is rebuttably presumed to be a supply.

(3) The sale or lease of a replacement part is exempt from tax if the replacement part is used in any repair or reconstruction of the exempt piece of farm machinery or equipment used in the production of agricultural products. Nonexclusive examples of replacement parts to machinery and equipment that would be exempt include air-conditioning parts, computer equipment parts, fire equipment parts, glass parts, mirrors, headlights, communication systems, and global positioning equipment parts.

*j.* *Implement of husbandry.*

(1) The term "implement of husbandry" means any tool, equipment, or machinery necessary to the carrying on of the business of agricultural production and without which that could not be done. To be an implement of husbandry, the following must both be true:

1. The tool, equipment, or machine must be necessary to the carrying on of the business of agricultural production; and

2. Agricultural production must be impossible without the use of the tool, equipment, or machine.

(2) Whether a given item is an implement of husbandry depends on the facts of each particular case, and in each particular case the person claiming the exemption has the burden of proving that the person is entitled to the exemption.

*k.* *Snow blower.* "Snow blower" as used in this rule means an attachment that has the primary purpose of snow removal by the throwing of snow and that is ordinarily thought of as a snow blower.

*l.* *Rear-mounted or front-mounted blade.* "Rear-mounted or front-mounted blade" as used in this rule means a stationary attachment that has a primary purpose of pushing or leveling, for example, sand, dirt, snow, gravel, or manure. The term "rear-mounted or front-mounted blade" does not include mounted buckets or loaders that have a primary purpose of loading or digging.

*m.* *Rotary cutter.* "Rotary cutter" as used in this rule means an attachment used for mowing of grassy areas, pastures, and brush, but does not include attachments often referred to as "finishing mowers" and "mid-mount mowers."

**214.1(4)** *Taxable and nontaxable transactions.* The following are nonexclusive examples of sales and leases of and services for farm machinery or equipment subject to or exempt from tax. Taxable services performed on farm machinery or equipment are subject to tax even when the replacement parts are exempt.

*a.* A lessor's purchase of farm machinery or equipment is not subject to tax if the machinery or equipment is leased to a lessee who uses it directly and primarily in the production of agricultural products and if the lessee's use of the machinery or equipment is otherwise exempt. To claim exemption from tax, the lessor does not need to make an exempt use of the machinery or equipment as long as the lessee uses the machinery or equipment for an exempt purpose. The lease of tangible personal property is treated as the

sale of that property for the purposes of Iowa sales and use tax law because leases of tangible personal property are taxable retail sales of that property.

*b.* A lessor's purchase of a snow blower, rear-mounted or front-mounted blade, or rotary cutter is not subject to tax if such item is leased to a lessee who uses the item in agricultural production and the item will be attached to an implement of husbandry.

*c.* The owner or lessee of farm machinery or equipment need not be a farmer as long as the machinery or equipment is directly and primarily used in the production of agricultural products and the owner or lessee and the machinery or equipment meet the other requirements of this rule. For example, a person who purchases an airplane designed for use in agricultural aerial spraying and who uses the airplane directly and primarily for agricultural production is entitled to the benefits provided under this rule even though that person is not the owner or occupant of the land where the airplane is used.

*d.* The owner or lessee of a snow blower, rear-mounted or front-mounted blade, or rotary cutter need not be a farmer as long as the snow blower, rear-mounted or front-mounted blade, or rotary cutter is used in agricultural production and the snow blower, rear-mounted or front-mounted blade, or rotary cutter is attached to an implement of husbandry.

*e.* The sale or lease, within Iowa, of any farm machinery, equipment, or replacement part for direct and primary use in agricultural production outside of Iowa is a transaction eligible for the exemption if the transaction is otherwise qualified for an exemption under this rule.

*f.* The sale or lease, within Iowa, of any snow blower, rear-mounted or front-mounted blade, or rotary cutter that is used, outside of Iowa, in agricultural production while attached to an implement of husbandry is a transaction eligible for the exemption, if the transaction is otherwise qualified for an exemption under this rule.

**214.1(5)** *Auxiliary attachments.* The following is a nonexclusive list of auxiliary attachments for which the sale or use in Iowa is exempt from tax: auxiliary hydraulic valves, cabs, coil tine harrows, corn head pickup reels, dry till shanks, dual tires, extension shanks, fenders, fertilizer attachments and openers, fold kits, grain bin extensions, herbicide and insecticide attachments, kit wraps, no-till coulters, quick couplers, rear-wheel assists, rock boxes, rollover protection systems, rotary shields, stalk choppers, step extensions, trash whips, upper beaters, silage bags, and weights.

This rule is intended to implement Iowa Code sections 423.3(8) and 423.3(11).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.2(423) Farm implement repair of all kinds.**

**214.2(1)** *In general.* Persons engaged in the business of repairing, restoring, or renovating implements, tools, machines, vehicles, or equipment used in the operation of farms, ranches, or acreages on which crops of all kinds are grown and on which livestock, poultry, or furbearing animals are raised or used for any purpose are selling a service subject to sales tax.

**214.2(2)** *Installation not taxable.* Those services relating to the installation of new parts or accessories that are not replacements are not taxable.

This rule is intended to implement Iowa Code section 423.2(6)*"r."*

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

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

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

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.4(423) Sale of a draft horse.** The sales price from the sale of draft horses, when they are purchased for use and used as draft horses, is not subject to tax. Draft horses are horses that pull loads, including loads in shows, or transport persons or property. For purposes of this rule, horses commonly

known as Clydesdales, Belgians, Shires, and Percherons are draft horses. However, upon proper showing by the person or entity claiming exemption, the sales price exemption will be granted by the director for other breeds. However, the burden of proof lies with the person or entity claiming exemption.

This rule is intended to implement Iowa Code section 423.3(14).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.5(423) Veterinary services.** Veterinary services are not subject to sales tax. Purchases of food, drugs, medicines, bandages, dressings, serums, tonics, and the like that are used in treating livestock raised as part of agricultural production are exempt from tax. Where these same items are used in treating animals maintained as pets or for hobby purposes, sales tax is due. Purchases of equipment and tools used in the veterinary practice are subject to tax. Rule 701—214.17(423) explains the exemption for machinery or equipment used in livestock or dairy production that may be applicable to veterinarians, but should only be claimed with caution. A veterinarian must charge sales tax on any sales of tangible property or enumerated services, such as pet grooming, that are not part of professional veterinarian services.

This rule is intended to implement Iowa Code section 423.3(5).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.6(423) Commercial fertilizer and agricultural limestone.**

**214.6(1)** *Commercial fertilizer.* The sales price from the sales of commercial fertilizer is exempt from sales and use tax. Plant hormones are considered to be commercial fertilizer.

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

This rule is intended to implement Iowa Code sections 423.3(4) and 423.3(5).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

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

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

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

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

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.8(423) Domesticated fowl.** The sales price from the sale of domesticated fowl for the purpose of providing eggs or meat is exempt from tax, whether purchased by a person engaged in agricultural production or not. Rule 701—200.1(423) contains a definition of the term "domesticated fowl."

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

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.9(423) Agricultural health promotion items.**

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

*"Adjuvant"* means any substance that is added to an herbicide, a pesticide, or an insecticide to increase its potency.

*"Agricultural production"* means the same as defined in rule 701—200.1(423).

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

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

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

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

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

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

*"Plants"* means the same as defined in rule 701—200.1(423).

*"Surfactant"* means a substance that is active on a surface.

**214.9(2)** *Agricultural health promotion items and adjuvants.* The sales price from the sale of herbicides, pesticides, insecticides, food, and medication that are to be used in disease, weed, or insect control or health promotion of plants or livestock produced as part of agricultural production for market is exempt from tax. Sales of adjuvants, surfactants, and other products that enhance the effects of herbicides, pesticides, or insecticides used in disease, weed, or insect control or health promotion of plants or livestock produced as part of agricultural production for market are also exempt from tax. The sales price from the sale of herbicides, pesticides, insecticides, food, medication, and products to any person not engaged in agricultural production for market are exempt if the property sold will be used for an exempt purpose (e.g., in disease control or on the behalf of another person engaged in agricultural production for market).

This rule is intended to implement Iowa Code sections 423.3(5) and 423.3(16).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.10(423) Drainage tile.** The sales price from the sale or installation of drainage tile that is to be used in disease control or weed control or in health promotion of plants or livestock produced as part of agricultural production for market is exempt from tax. In all other cases, drainage tile will be considered a building material and subject to tax under the provisions of Iowa Code section 423.2. Sales of the following materials associated with the installation of agricultural drainage tile are also exempt from tax: tile intakes, outlet pipes and outlet guards, aluminum and gabion structures, erosion control fabric, water control structures, and tile fittings.

This rule is intended to implement Iowa Code section 423.3.

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.11(423) Materials used for seed inoculations.** The sales price from the sale of materials used for seed inoculations is exempt from sales tax. All forms of inoculation, whether for promotion of better growth and healthier plants or for the prevention or cure of plant mildew or disease of seeds and bulbs, are intended for the same general purpose and are therefore exempt.

This rule is intended to implement Iowa Code section 423.3.

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.12(423) Fuel used in agricultural production.**

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

*"Aquaculture"* means the same as defined in rule 701—200.1(423).

*"Fuel"* includes electricity.

*"Implement of husbandry"* means the same as defined in paragraph 214.1(3)*"j."*

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

**214.12(2)** *Exemptions.*

*a. Fuel used for livestock buildings.* The sale of fuel used to provide heating or cooling for livestock buildings is exempt from tax.

*b. Fuel used for flowering, ornamental, or vegetable plant production buildings.*

(1) The sales price from the sale of fuel for heating or cooling greenhouses, buildings, or parts of buildings used for the production of flowering, ornamental, or vegetable plants intended for sale in the ordinary course of business is exempt from tax. More information can be found in subparagraph 214.12(2)*"b"*(3) for the formula for calculating exempt use if a building is only partially used for growing flowering, ornamental, or vegetable plants.

(2) Fuel used in a flowering, ornamental, or vegetable plant production building for purposes other than heating or cooling (e.g., lighting) or for purposes other than direct use in flowering, ornamental, or vegetable plant production (e.g., heating or cooling office space) is not eligible for this exemption. Examples of nonexempt purposes for which a portion of a greenhouse might be used include, but are not limited to, portions used for office space; loading docks; storage of property other than flowering, ornamental, or vegetable plants; housing of heating and cooling equipment; and packaging flowering, ornamental, or vegetable plants for shipment.

(3) Calculating proportional exemption. It may be possible to calculate the amount of total fuel used in plant production by dividing the number of square feet of the greenhouse heated or cooled and used for raising flowering, ornamental, or vegetable plants by the number of square feet heated or cooled in the entire greenhouse. It may be necessary to alter this formula (by the use of separate metering, for example) if a greenhouse has a walk-in cooler and the cooler is used directly in flowering, ornamental, or vegetable plant production. Subrule 214.18(12) provides information about a seller's and purchaser's liability for sales tax.

EXAMPLE 1: Bill Brown's herb farming operation has a separate greenhouse used to grow his herbs. All other aspects of his farm operations are conducted in other facilities. Because the greenhouse is used exclusively for raising flowering, ornamental, or vegetable plants, Bill Brown is able to claim exemption from sales tax on the cost of fuel used to heat and cool the greenhouse.

EXAMPLE 2: Martha Green's greenhouse has a separate meter to track the electricity used only for heating or cooling. Her greenhouse is used partially for growing flowering, ornamental, or vegetable plants and partially for a nonexempt purpose. Martha Green is able to claim a proportional exemption from sales tax on the cost of fuel used to heat and cool her growing flowering, ornamental, or vegetable plants. Martha Green calculates her exempt amount by dividing the number of heated or cooled square feet of her greenhouse that are used for raising flowering, ornamental, or vegetable plants by the total number of square feet heated or cooled in the entire greenhouse.

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|---|---|---|---|
| Total square footage used for raising flowering, ornamental, or vegetable plants | | = | 800 |
| Total square footage | | = | 1,000 |
| TOTAL: | 800 ÷ 1,000 | = | .80 or 80% |

Thus, 80 percent of the cost of the fuel used to heat and cool Martha Green's greenhouse is exempt from sales tax.

*c. Sales of fuel used for aquaculture.* Sales of fuel used in the raising of agricultural products by aquaculture are exempt from tax.

*d. Sales of fuel, gas, electricity, water, and heat consumed in implements of husbandry.* The sale of fuel used in any implement of husbandry, whether self-propelled or not, is exempt from tax if the fuel is consumed while the implement is engaged in agricultural production. For example, the sale of fuel used not only in tractors or combines, but also used in implements that cannot move under their own power, is exempt from tax. The sale of fuel used in milk coolers and milking machines, grain dryers, and stationary irrigation equipment and in implements used to handle feed, grain, and hay and to provide water for

livestock is exempt from tax even though these implements of husbandry would not ordinarily be considered self-propelled.

**214.12(3)** *Partial use.* If a building is used partially for an exempt agricultural purpose and partially for a nonexempt purpose, a proportional exemption from sales tax may be claimed based upon a percentage obtained by dividing the number of square feet of the building heated or cooled and used for an exempt agricultural purpose by the number of square feet heated or cooled in the entire building.

This rule is intended to implement Iowa Code section 423.3(6).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.13(423) Water used in agricultural production.** The sales price from the sale of water sold to farmers who are purchasing water for household use, sanitation, swimming pools, or other personal use is subject to sales tax. The sales price from the sale of water sold to farmers and others and used directly as drinking water for livestock production (including the production of domesticated fowl) is exempt from sales tax. When water is used for exempt purposes, as in livestock production, as well as for taxable purposes, the water may, when practical, be separately metered and separately billed to clearly distinguish the water consumed for exempt purposes from taxable purposes. When it is impractical to separately meter exempt water from taxable water, the purchaser may furnish to the seller a statement enabling the seller to determine the percentage of water subject to exemption. In the absence of proof to the contrary, the retailer of the water bills and collects tax on the first 5,000 gallons of water per month. The first 5,000 gallons of water per month will be considered to be for nonexempt use, and the balance will be considered to be used as part of agricultural production.

This rule is intended to implement Iowa Code section 423.3(5).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.14(423) Hatcheries.** The sales price from the sale of egg-type cockerel chicks, broiler chicks, and turkey poults is subject to tax. If sale of domestic poultry is for breeding, rule 701—214.7(423) provides information.

When pullets and poults are sold for production purposes, the sales price from the sale is exempt from tax.

This rule is intended to implement Iowa Code sections 423.2(1) and 423.3(3).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.15(423) Sales by farmers.** The sales price from the sale of grain, livestock, or any other farm or garden product by the producer thereof ordinarily constitutes a sale for resale, processing, or human consumption and is exempt from tax. In order to sell tangible personal property not otherwise exempt to ultimate consumers or users, farmers shall hold a permit and collect and remit sales tax on the sales price from their sales.

This rule is intended to implement Iowa Code sections 423.3(2), 423.3(51), and 423.3(57).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.16(423) Sales of livestock (including domesticated fowl) feeds.** The sales price from the sale of feed for any form of animal life when the product of the animals constitutes food for human consumption is exempt from tax. The sales price from the sale of feed sold for consumption by pets is subject to tax. The sales price from the sale of antibiotics that are administered as an additive to feed or drinking water and vitamins and minerals that are sold for livestock (including domesticated fowl) is exempt from tax.

This rule is intended to implement Iowa Code section 423.3(16).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.17(423) Farm machinery, equipment, and replacement parts used in livestock or dairy production.**

**214.17(1)** The sales price from the sale of farm machinery, equipment, and replacement parts used in livestock or dairy production is exempt from sales and use tax.

**214.17(2)** Definitions and special provisions. For purposes of this rule, the following definitions and special provisions apply.

*a.* *Machinery.* The term "machinery" means major mechanical machines, or major components thereof, that contribute directly and primarily to the livestock or dairy production process. Usually, a machine is a large object with moving parts that performs work through the expenditure of energy, either mechanical (e.g., gasoline or other fuel) or electrical.

*b.* *Equipment.* The term "equipment" means tangible personal property (other than a machine) that is directly and primarily used in livestock or dairy production. Equipment may be characterized as property that performs a specialized function and that has no moving parts, or if the equipment does possess moving parts, its source of power is external to it. The following nonexclusive examples differentiate between machinery and equipment:

EXAMPLE 1: An auger places feed into a cattle feeder. The auger is a piece of machinery; the cattle feeder is a piece of equipment.

EXAMPLE 2: An electric pump is used to pump milk into a bulk milk tank. The electric pump is a piece of machinery; the bulk milk tank is equipment.

*c.* *Property used in livestock or dairy production that is neither equipment nor machinery.*

(1) Real property. The ground or the earth is not machinery or equipment. A building is not machinery or equipment. Therefore, tangible personal property that is sold for incorporation into the ground or a building in such a manner that the property will become a part of the ground or the building is taxable except for machinery and equipment. Generally, property incorporated into the ground or a building has become a part of the ground or the building if its removal would substantially damage the property, ground, or building or would substantially diminish the value of the property, ground, or building. Fence posts embedded in concrete, electrical wiring, light fixtures, fuse boxes, and switches are examples of property sold for incorporation into the ground or a building, respectively. For the purpose of the following example, assume that property is being sold to a contractor rather than a person engaged in livestock or dairy production. If the property is sold to a contractor, the retailer would be required to consider the property building material and charge the contractor sales tax upon the purchase price of the building material. If the property is building material, sale of the property is not exempt from Iowa sales tax. Rule 701—219.3(423) contains a characterization of building material and a list of specific examples of building material.

(2) Supplies. Supplies are neither machinery nor equipment. Tangible personal property is a farm supply if it is used up or destroyed by virtue of its use in livestock or dairy production or, because of its nature, can only be used once in livestock or dairy production. A light bulb is an example of a farm supply that is not machinery or equipment. Examples of farm supplies that could be mistaken for equipment and are not exempt from tax on other grounds can be found in subrule 214.19(4).

*d.* *Hand tools.* The term "hand tools" means tools that can be held in the hand or hands and that are powered by human effort. Hand tools specifically designed for use in livestock or dairy production are exempt from tax as equipment. Mechanical devices that are held in the hand and driven by electricity from some source other than human muscle power are, if they meet all other qualifications, exempt from tax as farm machinery.

*e.* *"Directly used" in livestock or dairy production.* To determine if machinery or equipment is "directly used" in livestock or dairy production, one must first ensure that the machinery or equipment is used during livestock or dairy production and not before that process has begun or after it has ended. Paragraph 214.17(2)*"g"* contains an explanation of when livestock or dairy production begins and ends.

(1) Definition. If the machinery or equipment is used in livestock or dairy production, "directly used" means the use is an integral and essential part of production as distinguished from use that is incidental or merely convenient to production or use that is remote from production. Machinery or equipment may be necessary to livestock or dairy production, but its use is so remote from production that it is not directly used in that production.

(2) Determination. In determining whether machinery or equipment is directly used, consideration should be given to the following factors:

1. The physical proximity of the machinery or equipment to other machinery or equipment clearly exempt as directly used in livestock or dairy production. The closer the machinery or equipment is to exempt machinery or equipment, the more likely it is that the machinery or equipment is directly used in livestock or dairy production.

2. The chronological proximity of the use of machinery or equipment in question to the use of machinery clearly exempt as directly used in livestock or dairy production. The closer the proximity of the machinery's or equipment's use within the production process to the use of exempt machinery or equipment, the more likely the use is direct rather than remote.

3. The active causal relationship between the use of the machinery or equipment in question and livestock or dairy production. The fewer intervening causes between the use of the machinery or equipment and the production of the product, the more likely it is that the machinery or equipment is directly used in production.

*f.* *"Primarily used" in livestock or dairy production.* Machinery or equipment is "primarily used" in livestock or dairy production based on the total time it is used in livestock or dairy production in comparison to the time it is used for other purposes. Any unit of machinery or equipment directly used in livestock or dairy production more than 50 percent of its total use time is eligible for exemption.

*g.* *Beginning and end of livestock or dairy production.* Livestock or dairy production begins with the purchase or breeding of livestock or dairy animals. Livestock or dairy production ceases when an animal or the product of an animal's body (e.g., wool) has been transported to the point where it will be sold by the farmer or processed.

*h.* *Machinery and equipment design.* Farm machinery and equipment used in livestock or dairy production are eligible for exemption if specifically designed for use in livestock or dairy production. Farm machinery and equipment that are not specifically designed for use in livestock or dairy production, but are directly and primarily used in livestock or dairy production, are eligible for exemption with the exception of common or ordinary hand tools.

EXAMPLE: Farmer Jones raises livestock and must use fans to cool the animals. Farmer Jones buys electric fans designed for use in a residence, but uses them directly and primarily to cool the livestock. The fans' use would be considered exempt.

*i.* *Replacement parts.* The term "replacement parts" means the same as defined in paragraph 214.1(2)*"i."*

**214.17(3)** Examples of machinery and equipment directly used in livestock or dairy production.

*a.* Machinery and equipment used to transport or limit the movement of livestock or dairy animals (e.g., electric fence equipment, portable fencing, head gates, and loading chutes) are directly used in livestock or dairy production.

*b.* Machinery and equipment used in the conception, birth, feeding, and watering of livestock or dairy animals (e.g., artificial insemination equipment, portable farrowing pens, feed carts, and automatic watering equipment) are directly used in livestock or dairy production.

*c.* Machinery and equipment used to maintain healthful or sanitary conditions in the immediate area where livestock are kept (e.g., manure gutter cleaners, automatic cattle oilers, fans, and heaters if not real property) are directly used in livestock or dairy production.

*d.* Machinery and equipment used to test or inspect livestock during production are directly used in livestock or dairy production.

**214.17(4)** Taxable examples. The following are nonexclusive examples of machinery or equipment that would not be directly used in livestock or dairy production.

*a.* Machinery or equipment used to assemble, maintain, or repair other machinery or equipment directly used in livestock or dairy production (e.g., welders, paint sprayers, and lubricators).

*b.* Machinery or equipment used in farm management, administration, advertising, or selling (e.g., a computer used for record keeping, calculator, office safe, telephone, books, and farm magazines).

*c.* Machinery or equipment used in the exhibit of livestock or dairy animals (e.g., blankets, halters, prods, leads, and harnesses).

*d.* Machinery or equipment used in safety or fire prevention, even though the machinery or equipment is required by law.

*e.* Machinery or equipment for employee or personal use. Machinery or equipment used for the personal comfort, convenience, or use by a farmer, the farmer's family or employees, or persons associated with the farmer is not exempt from tax. Examples of such machinery and equipment include the following: beds, mattresses, blankets, tableware, stoves, refrigerators, and other equipment used in conjunction with the operation of a farm home or other facilities for farm employees.

*f.* Machinery or equipment used for heating, cooling, ventilation, and lighting of farm buildings generally.

*g.* Vehicles subject to registration.

**214.17(5)** The sales price, not including services, of the following machinery or equipment is exempt from tax regardless of whether the machinery or equipment remains tangible personal property after installation or is incorporated into the realty: auxiliary attachments that improve the performance, safety, operation, or efficiency of the machinery and equipment, including auger systems, curtains and curtain systems, drip systems, fan and fan systems, shutters, inlets, shutter or inlet systems, 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.

*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 a repair or reconstruction of the exempt piece of farm machinery or equipment used in the production of agricultural products.

**214.17(6)** Auxiliary attachments exemption. Sales of auxiliary attachments that improve the performance, safety, operation, or efficiency of exempt machinery or equipment are exempt from tax. Sales of replacement parts for these auxiliary attachments are also exempt.

**214.17(7)** Seller's and purchaser's liability for sales tax. The seller is relieved of sales tax liability if the seller takes from the purchaser an exemption certificate stating that the purchase is of machinery and equipment meeting the requirements of this rule. The exemption certificate must be fully completed. If items purchased tax-free pursuant to an exemption certificate are used or disposed of by the purchaser in a nonexempt manner, the purchaser is solely and directly liable for sales tax and remits the tax to the department.

This rule is intended to implement Iowa Code sections 423.3(11) and 423.3(15).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.18(423) Machinery, equipment, and replacement parts used in the production of flowering, ornamental, and vegetable plants.**

**214.18(1)** The sales price from the sale of machinery, equipment, and replacement parts used in the production of flowering, ornamental, and vegetable plants is exempt from sales and use tax. The production of flowering, ornamental, or vegetable plants by a grower in a commercial greenhouse or at another location is considered to be a part of agricultural production and exempt from sales tax. The term "flowering, ornamental, or vegetable plants" does not include silvicultural products or fungi.

**214.18(2)** Definitions and special provisions. For purposes of this rule, the following definitions and special provisions apply.

*a.* *Machinery.* The term "machinery" means major mechanical machines, or major components thereof, that contribute directly and primarily to the flowering, ornamental, or vegetable plant production process. Usually, a machine is a large object with moving parts that performs work through the expenditure of energy, either mechanical (e.g., gasoline or other fuel) or electrical.

*b.* *Equipment.* The term "equipment" means tangible personal property (other than a machine) that is directly and primarily used in the flowering, ornamental, or vegetable plant production process. Equipment may be characterized as property that performs a specialized function that, of itself, has no moving parts, or if the equipment does possess moving parts, its source of power is external to it.

*c.* *Property used in the flowering, ornamental, or vegetable plant production process that is neither equipment nor machinery.*

(1) Real property. The ground or the earth is not machinery or equipment. A building is not machinery or equipment. Therefore, tangible personal property that is sold for incorporation into the

ground or a building in such a manner that the property will become a part of the ground or the building is taxable except for machinery and equipment. Generally, property incorporated into the ground or a building has become a part of the ground or the building if its removal would substantially damage the property, ground, or building or would substantially diminish the value of the property, ground, or building. Fence posts embedded in concrete, electrical wiring, light fixtures, fuse boxes, and switches are examples of property sold for incorporation into the ground or a building, respectively. For the purpose of this example, assume that the property is being sold to a contractor rather than a person engaged in the flowering, ornamental, or vegetable plant production process. If the property is sold to a contractor, the retailer would be required to consider the property building material and charge the contractor sales tax upon the purchase price of this building material. If the property is building material, sale of the property is not exempt from Iowa sales tax. Rule 701—219.3(423) contains a characterization of building material and a list of specific examples of building material.

(2) Supplies. Supplies are neither machinery nor equipment. Tangible personal property is a supply if it is used up or destroyed by virtue of its use in the flowering, ornamental, or vegetable plant production process or, because of its nature, can only be used once in the flowering, ornamental, or vegetable plant production process. A light bulb is an example of a supply that is not machinery or equipment. Subrule 214.19(4) provides examples of supplies that could be mistaken for equipment and are not exempt from tax on other grounds.

*d. Hand tools.* The term "hand tools" means tools that can be held in the hand or hands and that are powered by human effort. Hand tools specifically designed for use in the flowering, ornamental, or vegetable plant production process are exempt from tax as equipment. Mechanical devices that are held in the hand and driven by electricity from some source other than human muscle power are, if they meet all other qualifications, exempt from tax.

*e. "Directly used" in the flowering, ornamental, or vegetable plant production process.* To determine if machinery or equipment is "directly used" in the flowering, ornamental, or vegetable plant production process, one must first ensure that the machinery or equipment is used during the flowering, ornamental, or vegetable plant production process and not before that process has begun or after it has ended. Paragraph 214.18(2)*"g"* contains an explanation as to when the flowering, ornamental, or vegetable plant production process begins and ends.

(1) Definition. If the machinery or equipment is used in the flowering, ornamental, or vegetable plant production process, "directly used" means the use is an integral and essential part of production as distinguished from use that is incidental or merely convenient to production or use that is remote from production. Machinery or equipment may be necessary to the flowering, ornamental, or vegetable plant production process, but its use is so remote from production that it is not directly used in that production.

(2) Determination. In determining whether machinery or equipment is directly used, consideration should be given to the following factors:

1. The physical proximity of the machinery or equipment to other machinery or equipment clearly exempt as directly used in the flowering, ornamental, or vegetable plant production process. The closer the machinery or equipment is to exempt machinery or equipment, the more likely it is that the machinery or equipment is directly used in the flowering, ornamental, or vegetable plant production process.

2. The chronological proximity of the use of machinery or equipment in question to the use of machinery clearly exempt as directly used in the flowering, ornamental, or vegetable plant production process. The closer the proximity of the machinery's or equipment's use within the production process is to the use of exempt machinery or equipment, the more likely the use is direct rather than remote.

3. The active causal relationship between the use of the machinery or equipment in question and the flowering, ornamental, or vegetable plant production process. The fewer intervening causes between the use of the machinery or equipment and the production of the product, the more likely it is that the machinery or equipment is directly used in production.

*f. "Primarily used" in flowering, ornamental, or vegetable plant production.* Machinery or equipment is "primarily used" in flowering, ornamental, or vegetable plant production based upon the total time it is used in flowering, ornamental, or vegetable plant production in comparison to the time it is used

for other purposes. Any unit of machinery or equipment directly used in flowering, ornamental, or vegetable plant production more than 50 percent of its total use time is eligible for exemption.

*g.* *Beginning and end of flowering, ornamental, or vegetable plant production.* Flowering, ornamental, or vegetable plant production begins with the purchase of seeds or starter plants. Flowering, ornamental, or vegetable plant production ceases when a plant has grown to the size or weight at which it will be prepared for shipment to the destination where it will be marketed.

*h.* *Machinery and equipment design.* Machinery and equipment used in flowering, ornamental, or vegetable plant production are eligible for exemption if they were specifically designed for use in flowering, ornamental, or vegetable plant production. Machinery and equipment that are not specifically designed for use in flowering, ornamental, or vegetable plant production, but are directly and primarily used in flowering, ornamental, or vegetable plant production, are eligible for exemption with the exception of common or ordinary hand tools.

EXAMPLE: Bob Jones raises tulips and must use a thermometer to monitor the temperature in his greenhouse. Bob Jones buys a thermometer designed for use in a residence but uses it directly and primarily to monitor the temperature in his greenhouse. The thermometer's use would be considered exempt.

*i.* *Replacement parts.* The term "replacement parts" means the same as defined in paragraph 214.1(2)*"i."*

**214.18(3)** Examples of machinery and equipment directly used in flowering, ornamental, or vegetable plant production can be found in subrule 214.19(3).

**214.18(4)** Taxable examples. The following are nonexclusive examples of machinery or equipment that would not be directly used in flowering, ornamental, or vegetable plant production.

*a.* Machinery or equipment used to assemble, maintain, or repair other machinery or equipment directly used in flowering, ornamental, or vegetable plant production.

*b.* Machinery or equipment used in the growing operation's management, administration, advertising, or selling (e.g., calculators, office safes, telephones, books, and plant magazines).

*c.* Machinery or equipment used in the exhibit of flowering, ornamental, or vegetable plants.

*d.* Machinery or equipment used in safety or fire prevention, even though the machinery or equipment is required by law.

*e.* Machinery or equipment for employee or personal use. Machinery or equipment used for the personal comfort, convenience, or use by a grower, the grower's family or employees, or persons associated with the grower is not exempt from tax. Examples of such machinery and equipment include the following: beds, mattresses, blankets, tableware, stoves, refrigerators, and other equipment used in conjunction with the operation of a grower's home, or other facilities for the grower's employees.

*f.* Machinery or equipment used for heating, cooling, ventilation, and lighting of office, retail, or display buildings where production does not occur.

*g.* Vehicles subject to registration.

**214.18(5)** Packing material used in flowering, ornamental, or vegetable plant production. The sales price for the sale of property that 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 the production of flowering, ornamental, or vegetable plants in commercial greenhouses or other places that sell such items in the ordinary course of business is not subject to sales tax. Containers and packaging materials include but are not limited to boxes, trays, labels, sleeves, tape, and staples.

**214.18(6)** Self-propelled implements. The sales price from the sale of self-propelled implements or implements customarily drawn or attached to self-propelled implements and replacement parts for the same is exempt from tax if the implements are used directly and primarily in the production of flowering, ornamental, or vegetable plants in commercial greenhouses or elsewhere. Exempt implements include but are not limited to forklifts used to transport pallets of flowering, ornamental, or vegetable plants, wagons containing sterilized soil, and tractors used to pull these items.

**214.18(7)** Machinery and equipment used in flowering, ornamental, or vegetable plant production that are not self-propelled or attached to self-propelled machinery and equipment are exempt from tax. Rule 701—214.19(423) includes nonexclusive examples of machinery and equipment that are not self-propelled

or attached to self-propelled machinery and equipment and that are directly and primarily used in flowering, ornamental, or vegetable plant production.

**214.18(8)** Fuel used in plant production is discussed in paragraph 214.12(2)*"b."*

**214.18(9)** The sales price from the sale of water used in the production of plants is exempt from tax. If water is not separately metered, the plants' grower must determine by use of a percentage the portion of water used for a taxable purpose and the portion used for an exempt purpose. Nonexclusive examples of taxable usage include restrooms, sanitation, lawns, and vehicle wash.

**214.18(10)** Agricultural health promotion items. The sales price from the sale to a commercial greenhouse of fertilizer, limestone, herbicides, pesticides, insecticides, plant food, and medication for use in disease, weed, and insect control or in other health promotion of flowering, ornamental, or vegetable plants is exempt from tax. For the purposes of this rule, a virus, bacterium, fungus, or insect that is purchased for use in killing insects or other pests is an insecticide or pesticide. Rule 701—214.9(423) contains more information regarding these exemptions.

**214.18(11)** Miscellaneous exempt and taxable plant sales.

*a.* Sales of pots, soil, seeds, bulbs, and starter plants for use in plant production are not the sale of machinery or equipment, but can be sales for resale and exempt from tax if the pots and soil are sold with the final product or become the finished product.

*b.* The sales price from the sale of portable buildings that will be used to display plants for retail sales is taxable.

*c.* The sales price from the sale of whitewash that will be painted on greenhouses to control the amount of sunlight entering those greenhouses is subject to tax as the sale of a supply rather than exempt from tax as a sale of equipment.

**214.18(12)** Seller's and purchaser's liability for sales tax. The seller is to be relieved of sales tax liability if the seller receives from the purchaser an exemption certificate stating that the purchase is of machinery and equipment meeting the requirements of this rule. The exemption certificate must be fully completed. If items purchased tax-free pursuant to an exemption certificate are used or disposed of by the purchaser in a nonexempt manner, the purchaser is solely and directly liable for the sales tax and remits the tax to the department.

This rule is intended to implement Iowa Code sections 423.3(11) and 423.3(15).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.19(423) Nonexclusive lists.** The following tables list items that are taxable or exempt.

**214.19(1)** *Exempt for agricultural production.*

adjuvants
alternators and generators*
augers*
balers
bale transportation equipment
baling wire and binding twine
batteries for exempt machinery
blowers, grain dryer
brush hogs*
combines, cornheads, platforms
conveyors, temporary or portable*
corn pickers
crawlers, tractor
cultipackers
cultivators
discs
irrigation equipment
kill cones
limestone, agricultural
manure spreaders
mowers, hay
oil filters
oil pumps
packing materials
pesticides
pickers
plants (seeds)
planters
plows
piston rings
pruning and picking equipment*
replacement parts

draft horses
drags
drainage pipe and tile
dusters*
ensilage cutters
ensilage forks and trucks (a pickup does not qualify)
farm wagons and accessories
fertilizer, agricultural
fertilizer spreaders
filters
forage harvesters, boxes
fuel for grain drying or other agricultural production
gaskets
grain augers, portable*
grain drills
grain dryer, heater and blower only
grain planters
harrows
hay conditioners
hay hooks
hay loaders
herbicides
implements customarily drawn or attached to a self-propelled implement
insecticides
rock pickers
rollers*
rotary blade mowers; not lawn mowers
rotary hoes
seeders
seed cleaners*
seed planters
seeds
self-propelled implements
shellers*
silo blowers, unloaders*
sowers
spark plugs for exempt machinery
sprayers*
spreaders
sprinklers
subsoilers
surfactants
tillers
tires for exempt machinery
tractor chains
tractors, farm
tractor weights
vegetable harvesters
weeders*

*Exempt if drawn or attached to a self-propelled farm implement and directly and primarily used in agricultural production or, if portable, used directly and primarily in agricultural production.

**214.19(2)** *Exempt for dairy and livestock production.*

adjuvants
alternators and generators[1]
artificial insemination equipment
auger systems
automatic feeding systems, portable
batteries for exempt machinery
barn ventilators
bedding materials[2]
breeding stock, agricultural
bulk feeding tanks, portable
bulk milk coolers and tanks, portable
calf weaners and feeders, portable
cattle feeders, portable
heaters, portable
hog feeders, portable
hog ringers[3]
hoof trimmers, portable[3]
hypodermic syringes and needles, nondisposable
implements customarily drawn or attached to a self-propelled implement
incubators, portable
inlets and inlet systems
inoculation materials
insecticides
kill cones
livestock feeding, watering and handling equipment, portable
loading chutes, portable

chain and rope hoists, portable[1]
chicken pickers, plucking equipment
chick guards
clipping machines, portable[3]
conveyors, temporary or portable[1]
cow stalls, portable
cow ties, portable
cow watering and feeding bowls, portable
crawlers, tractor
currying and oiling machines, portable
curtains and curtain systems
dehorners
domestic fowl
draft horses
drip systems
electric fence equipment, portable
fans and fan systems
farm wagons and accessories
farrowing houses, crates, stalls, portable
feed
feed bins, portable
feed carts, portable
feed elevators, portable
feed grinders, portable
feed scoops[3]
feed tanks, portable
feeder chutes, portable
feeders, portable
fence and fencing supplies, temporary or portable
foggers
fuel to heat or cool livestock buildings
gaskets
gates, portable
gestation stalls, portable
grooming equipment, portable[3]
head gates, portable
manure brooms, portable[3]
manure handling equipment, including front-end and rear-end loaders, portable[3]
manure scoops, portable[1]
medications
milk coolers, portable
milking equipment, including cans, etc.[3]
milking machines
milk strainers and strainer disks, if not disposable
milk tanks, portable
pesticides
poultry feeders, portable
poultry founts, portable
poultry litters, portable
poultry nests, portable
refrigerators
replacement parts
sawdust[2]
self-propelled implements
shutters and shutter systems
space heaters, portable
specialized flooring, portable
sprayers[1]
squeeze chutes, stalls, portable
stanchions, portable
surfactants
tires for exempt machinery
thermometers[3]
tractor chains
tractors, farm
tractor weights
vacuum coolers
ventilators
water filters, heaters, pumps, softeners, portable
waterers/watering tanks, portable
weaners
wood chips[2]

1Exempt if drawn or attached to a self-propelled farm implement and directly and primarily used in dairy or livestock production or, if portable, used directly and primarily in dairy or livestock production.
2Exempt when used as livestock and poultry bedding.
3Designed for farm use.

**214.19(3)** *Exempt for flowering, ornamental, or vegetable plant production.*

air-conditioning pads
airflow control tubes
greenhouse monorail systems*
greenhouse thermometers

atmospheric $CO_2$ control and monitoring equipment
backup generators
bins holding sterilized soil
control panels for heating and cooling systems*
coolers used to chill plants*
cooling walls* or membranes
equipment used to control water levels for subirrigation
fans used for cooling and ventilating*
floor mesh for controlling weeds
germination chambers
greenhouse boilers*
greenhouse netting or mesh when used for light and heat control
handcarts used to move plants
lighting that provides artificial sunlight
overhead heating, lighting, and watering systems*
overhead tracks for holding potted plants*
plant tables*
plant watering systems*
portable buildings used to grow plants*
seeding and transplanting machines
soil pot and soil flat filling machines
steam generators for soil sterilization*
warning devices that monitor excess heat or cold
watering booms

*Exempt if not real property. "Real property" is defined in Iowa Code section 4.1(13) as "lands, tenements, hereditaments, and all rights thereto and interests therein, equitable as well as legal." More information can be found in 701—Chapter 219.

**214.19(4)** *Taxable even if used in agricultural production.*

additives
air compressors
air conditioners, unless a replacement part for exempt machinery
air tanks
antifreeze
axes
barn cleaner, permanent
baskets
belt dressing
bins, permanent^
brooms
buckets
building materials* and supplies
burlap cleaners
cattle feeders, permanent
cement#
chain saws
cleaning brushes
cleansing agents and materials
computers (including laptop), for personal use
computer software
construction tools
concrete#
conveyors, permanent
cow ties, permanent
ear tags
lubricants and fluids
lumber*
marking chalk
mops
motor oils
nails
office supplies
oxygen
packing room supplies
paint and paint sprayers
pliers
posthole diggers, hand tool
poultry brooders, permanent
poultry feeders, permanent
poultry nests, permanent
pruning tools
pumps for household or lawn use
radios, unless a replacement part for exempt machinery
refrigerators for home use
repair tools
road maintenance equipment
road scraper
roofing
sanders
scrapers
screwdrivers

fence, posts, wire, permanent
field toilets
fire prevention equipment
freon
fuel additives
fuel tanks and pumps
garden hoses and rakes
glass
grain tanks, permanent*^
grease
grease guns
hammers
hog rings
hydraulic fluids
hypodermic syringes, disposable
lamps
lanterns
light bulbs (for household use)
shingles
shovels
silos
snow fence, unless portable and used directly in dairy and livestock production
snow plows and snow equipment
space heaters, permanent
specialized flooring, permanent
sprinklers, permanent
stalls, permanent
staples
stanchions, permanent
storage tanks
tarps
tiling machinery and equipment
tractors, garden
welders
wheel barrows
wrenches

* Contractors and sponsors that purchase building materials, other than grain bin materials, are responsible for paying sales tax to the vendor or supplier or accruing and remitting use tax on those materials.

^ Does not include grain bins used to hold loose grain for drying or storage.

# Does not include cement or concrete used in pads or foundations under grain bins.

This rule is intended to implement Iowa Code sections 423.3(6), 423.3(8) and 423.3(11).

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.20(423) Grain bins.** The Iowa Code exempts from sales and use tax the sales price from the sale of a grain bin, including material or replacement parts used to construct or repair a grain bin. "Grain bin" is defined by Iowa Code section 423.3(16A). Grain bins are real property, and grain bin materials are building materials as that term is used in rule 701—219.3(423).

**214.20(1)** *Property considered to be a grain bin or material used to construct a grain bin.* In general, materials that are permanently attached to a grain bin and are required to hold loose grain for drying or storage are used to construct a grain bin and thus exempt from sales and use tax. This generally does not include equipment used to move loose grain into or out of a grain bin. The following lists of exempt or taxable property are not exhaustive.

*a.* Exempt property:

(1) Grain bins, including hopper bins.

(2) Corrugated metal or other similar material for the sides or roof of a grain bin.

(3) Steps, ladders, or staircases permanently attached to a grain bin.

(4) Structural support towers for a grain bin or for steps, ladders, or staircases providing access to a grain bin.

(5) Catwalks.

(6) Roof vents permanently attached to a grain bin.

(7) Grain bin flooring and floor supports.

(8) Concrete pad or foundation under a grain bin.

(9) Stirring equipment permanently attached in a grain bin.

(10) Fans permanently attached to a grain bin.

(11) Temperature sensors or temperature cables permanently attached in a grain bin.

(12) Spreaders permanently attached in a grain bin.

(13) Sweeps or augers permanently attached in a grain bin.

(14) Bolts and other builders' hardware permanently attached to a grain bin.
(15) Controls and devices to operate the above-listed property.
(16) Motors for the above-listed property.
(17) Replacement parts for the above-listed property.
*b.* Taxable property:
(1) Bucket elevators.
(2) Distributors.
(3) Receiving stations, including drag conveyors and dump pits.
(4) Pneumatic or air systems.
(5) Conveyors, including chain conveyors, belt conveyors, and drag conveyors.
(6) Anchors, bin jacks, or other construction equipment used to assemble, construct, repair, or replace a grain bin or part of a grain bin.
(7) Samplers.
(8) Scales or weighers.
(9) Other items that remain tangible personal property and are not permanently attached to a grain bin.

**214.20(2)** *Primarily used to hold loose grain for drying or storage.* Property is deemed to be "primarily used to hold loose grain for drying or storage" if it is used more than 50 percent of the time to hold loose grain for drying or storage.

**214.20(3)** *Claiming the exemption.*

*a.* A contractor must provide an exemption certificate to its supplier when purchasing grain bins, grain bin materials, or grain bin replacement parts in order to purchase them free from sales tax. The contractor entering into a construction contract with a sponsor to erect a grain bin or entering into a contract to repair a grain bin must also obtain an exemption certificate from the sponsor of the construction/repair contract to avoid accruing and remitting use tax on the grain bins, grain bin materials, and the grain bin replacement parts that were purchased tax-free from the contractor's supplier.

*b.* The contractor must accrue use tax on the purchase price of the grain bins, grain bin materials, and grain bin replacement parts unless the contractor obtains an exemption certificate from the sponsor of the construction or repair contract. If the grain bin materials or replacement parts are not used in an exempt manner or if an exemption certificate is not obtained, it is the contractor's responsibility to accrue and remit use tax. The contractor must not charge sales tax to the sponsor of a construction or repair contract because those materials and replacement parts remain building materials used in the performance of a construction contract.

EXAMPLE 1: Company A is in the business of constructing and repairing grain bins. Company A regularly purchases grain bin materials and replacement parts from its supplier. Company A may provide to its supplier an exemption certificate pursuant to Iowa Code section 423.3(16A) so that the materials and replacement parts are purchased tax-free.

A person, also known as a sponsor, enters into a construction contract with Company A to construct a grain bin on the sponsor's property. The sponsor provides an exemption certificate to Company A also pursuant to Iowa Code section 423.3(16A). Company A may now fulfill the construction contract without accruing and remitting use tax on the grain bin materials purchased from its supplier tax-free.

EXAMPLE 2: Assume the same facts as in Example 1, except that Company A does not provide an exemption certificate to its supplier when it purchases grain bin materials and replacement parts. The supplier must charge and collect from Company A sales tax on the full sales price of the grain bin materials and replacement parts.

The sponsor enters into a construction contract with Company A to erect a grain bin. Whether or not the sponsor provides an exemption certificate to Company A pursuant to Iowa Code section 423.3(16A), Company A may now fulfill the construction contract without accruing and remitting use tax on the grain bin materials because Company A paid sales tax on the sales price of the grain bin materials when it purchased them from its supplier.

EXAMPLE 3: Assume the same facts as in Example 2. The sponsor enters into a construction contract with Company A to erect a grain bin and provides an exemption certificate to Company A pursuant to Iowa

Code section 423.3(16A). Company A may now file a refund claim with the department requesting that the department refund the sales tax that Company A paid to its supplier when it purchased the grain bin materials used in fulfilling the construction contract with the sponsor. Alternatively, Company A may claim a credit on its sales tax return(s) equal to the amount of sales tax paid to its supplier when it purchased the grain bin materials used in fulfilling the construction contract with the sponsor. The burden is on Company A to prove that the building materials for which the credit or refund is claimed were used in erecting a grain bin.

EXAMPLE 4: Assume the same facts as in Example 1, except that the sponsor does not provide an exemption certificate to Company A. Company A must now accrue and remit use tax on the cost of the materials used in fulfilling this construction contract.

EXAMPLE 5: Assume the same facts as in Example 1, except that the sponsor enters into a construction contract with Company A for the construction of a structure that is not a grain bin. Company A uses the materials that it had purchased tax-free from its supplier to fulfill this contract. Company A must now accrue and remit use tax on the cost of the materials used in fulfilling this construction contract.

EXAMPLE 6: Assume the same facts as in Example 1, except that the sponsor enters into a contract with Company A for the repair of a structure that is not a grain bin. Company A uses the materials that it had purchased tax-free from its supplier to fulfill this contract. When invoicing the sponsor, Company A must separately itemize the materials and the labor charges incurred in fulfilling this repair contract, and the sales price of the materials included on the invoice must include any mark-up. Company A is obligated to charge and collect sales tax on the materials and labor charges listed on the invoice.

EXAMPLE 7: Assume the same facts as in Example 1 except that, in addition to constructing the grain bin, the contractor provides and installs property, such as portable equipment, that remains tangible personal property after installation. As with the grain bin, grain bin materials, and grain bin replacement parts, the contractor purchases the portable equipment tax-free, not because it is exempt under this subrule, but because it is a purchase for resale. Unless the portable equipment qualifies for another exemption (such as in rule 701—214.1(423)), even if the contractor obtains an exemption certificate from the sponsor for the grain bin, grain bin materials, and replacement parts, the contractor must charge sales tax to the sponsor because the portable equipment remains tangible personal property and the contractor sells that equipment to the sponsor at retail.

This rule is intended to implement Iowa Code section 423.3.

[**ARC 8159C**, IAB 7/24/24, effective 8/28/24]

**701—214.21(423) Warehousing of raw agricultural products.**

**214.21(1)** *In general.* The sales price on the warehousing of raw agricultural products is subject to sales tax unless the warehousing of raw agricultural products is storage in transit and has a destination outside of Iowa, regardless of whether the raw agricultural products originated within or outside of Iowa. Because the tax imposed by Iowa Code section 423.2(6)*"ax"* is imposed on the warehousing and not the sale of raw agricultural products, the interstate commerce exceptions found in Iowa Code section 423.3 do not apply.

**214.21(2)** *Definition.* For purposes of this rule:

*"Raw agricultural products"* includes but is not limited to corn, beans, oats, milo, fruits, vegetables, animal semen, and like items that have not been subjected to any form of processing. For purposes of this rule, grain drying is not considered processing.

**214.21(3)** *Other charges.* Other charges relating to warehousing of raw agricultural products may be subject to sales tax when separately invoiced. 701—Chapter 206 contains more information about bundled transactions.

**214.21(4)** *Transit warehouses.* The warehousing of raw agricultural products to be delivered within Iowa is subject to sales tax, while the warehousing of those products placed into interstate commerce is not subject to sales tax.

*a.* *Formula.* Transit warehouses may compute the tax on warehousing fees based upon a formula consisting of a numerator that is the quantity of raw agricultural products housed at the warehouse with intended intrastate delivery in Iowa and a denominator that is the total quantity of raw agricultural products housed in the warehouse.

*b.* *Definition.* For purposes of this rule:

*"Transit warehouses"* are those warehouses where raw agricultural products in bulk quantities are transported to and then shipped to different locations at different times.

*c.* *Numerator.* Raw agricultural products picked up at the warehouse or delivered to a location in Iowa must be included in the numerator, even if the products may be or are subsequently delivered to a common carrier for shipment outside of Iowa.

*d.* *Information used to calculate tax.* The information used in the formula for the computation of tax on storage fees must be, in most cases, supplied by the principal storing the products in the warehouse. The warehouse is responsible for acquiring and verifying the information used in the formula with the principal at least once every 90 days.

**214.21(5)** *Exemptions.* Warehousing service will not be subject to sales tax if a contract for the warehousing of raw agricultural products is with a tax-certifying or tax-levying body of the state of Iowa; any instrumentality of the state, county, or municipal government; the federal government or its instrumentalities; a tribal government as defined in Iowa Code section 216A.161; or an agency or instrumentality of a tribal government if used for public purposes.

*a.* *Consignment to federal government.* Fees for the warehousing of raw agricultural products placed into storage by a producer that are later consigned to the federal government under a loan agreement are subject to sales tax.

*b.* *Federal government activity.* Warehousing of raw agricultural products is exempt from sales tax only if the federal government makes payment to the warehouse for warehousing and the federal government actually owns the products or goods during the time the products or goods are warehoused.

This rule is intended to implement Iowa Code sections 423.2(6)*"ax"* and 423.3(31).

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