

701—19.3(422,423) Sales of building materials, supplies, and equipment to contractors, subcontractors, builders or owners. Suppliers or dealers who sell materials and supplies to contractors, subcontractors, builders or owners are required to collect Iowa sales tax from those persons based upon the receipts from such sales. The fact that a contractor, subcontractor, or builder holds an Iowa retail sales tax permit and has a tax number does not entitle that person to purchase building materials, supplies and equipment without paying sales tax to the vendor. See rules 19.2(422,423) and 19.4(422,423). Purchase discounts are not part of the sales price and are not part of the base for computing sales and use tax provided the retailer has not collected the tax on the full selling price. See rule 701—15.6(422,423). Materials purchased out of state for use in Iowa are subject to the Iowa use tax which is payable in the quarter the materials are delivered into the state. Tax is imposed on the contractor, subcontractor or builder even though the contract is with a governmental unit or a nonprofit educational institution. See Iowa Code section 422.45(7) and rule 19.12(422,423).

19.3(1) Building materials. The term “building materials” as used in this rule means materials used in construction work, and is not limited to materials used in constructing a building with sides and covering. The term may also include any type of materials used for improvement of the premises or anything essential to the completion of a building or structure for the use intended. *State v. James A. Head & Company, Inc.*, 306 So. 2d 5 (Ala. 1974).

19.3(2) Building supplies. The term “building supplies” as used in this rule means anything that is furnished for, and used directly in the carrying on of the work of an owner, contractor, subcontractor or builder and which is entirely consumed by said contractor. Such items do not have to enter into and become a physical part of the structure like materials, but they do become as much a part of the structure as the labor which is performed on it. *United States Fidelity & Guaranty Co. v. Feenaughty Machinery Co.*, 85 p.2d 1085, 197 Wash. 569.

19.3(3) Typical items. While not intended to be inclusive, the following is a list of typical items regarded as building materials and supplies:

Asphalt	Lubricants	Sheet metal
Bricks	Lumber	Steel
Builders' hardware	Macadam	Stone
Caulking material	Millwork	Stucco
Cement	Modular and mobile homes	Tile
Central air conditioning	Mortar	Wallboard
Cleaning compounds	Oil	Wall coping
Conduit	Paint	Water conditioners
Doors	Paper	Weather stripping
Ducts	Piping, valves, and pipe fittings	Windows
Electric wiring, connections, and switching devices	Plaster	Window screens
Fencing materials	Plates and rods used to anchor masonry foundations	Wire netting and screen
Flooring*	Plumbing supplies	Wood preserver
Glass	Polyethylene covers	
Gravel	Power poles, towers, and lines	
Insulation	Putty	
Lath	Reinforcing mesh	
Lead	Rock salt	
Lighting fixtures	Roofing	
Lime	Rope	
Linoleum*	Sand	

*Floor coverings which are shaped to fit a particular room or area and which are attached to the supporting floor with cement, tacks or tack strips or by some other method making a permanent attachment are considered to be building materials. See rule 701—16.48(422,423) for an exception concerning carpeting. Carpeting (whether attached to the floor or not) is not treated as a building material for the purposes of this chapter. Rugs, mats and linoleum types of floor coverings which are not attached but which are simply laid on finished floors are not considered to be building materials either.

19.3(4) *Building equipment.* The term “building equipment” as used in this rule means any vehicle, machine, tool, implement or other device used by a contractor in erecting structures for others, or reconstructing, altering, expanding or remodeling property of others which does not become a physical component part of the property upon which work is performed, and which is not necessarily consumed in the performance of such work. “Building equipment” includes, but is not limited to, such items as:

Compressors	Replacement parts for equipment
Drill presses	Scaffolds
Electric generators	Tools
Forms	Vehicles including grading, lifting and excavating vehicles
Hand tools	
Lathes	

Construction equipment purchased by a contractor which is intended for use in the performance of an Iowa construction contract is subject to the Iowa sales or use tax. However, equipment which is rented for use on or in connection with an Iowa construction contract can be rented without an obligation for Iowa sales or use taxes. Rented equipment is subject to tax on the purchase price at the time of purchase because it is not subject to the service tax of equipment rental. See rules 18.36(422,423) and 26.18(422,423) relating to equipment rental and the leasing of tangible personal property.