

701—19.5(422,423) Building materials, supplies, and equipment used in the performance of construction contracts within and outside Iowa.

19.5(1) The use of building materials, supplies, or equipment in the performance of construction contracts by the manufacturer outside Iowa is not a sale of tangible personal property and, therefore, is not a taxable event. The use of tangible personal property as building materials, supplies, or equipment by the manufacturer in the performance of construction contracts in Iowa is a sale at retail and a taxable event. The tax is computed on the manufacturer's fabricated cost or cost of production. See rule 701—16.3(422,423) for a characterization of the term manufacturer's "fabricated cost."

19.5(2) Prior to July 1, 1987, a contractor-retailer's withdrawal of material from inventory kept in this state for use in construction contracts performed outside Iowa is subject to tax. On and after July 1, 1987, a withdrawal of materials from inventory for use in construction contracts outside this state is not a taxable event.

19.5(3) A contractor is a consumer by statute. A contractor's purchase of materials for use in a construction contract is subject to tax whether the materials are purchased for use in construction contracts performed in Iowa or outside this state.

19.5(4) A manufacturer's purchase of tangible personal property consumed as building material in the manufacturer's or the manufacturer's subcontractor's performance of construction contracts within Iowa is taxable. The tax is computed on the fabricated cost or cost of production of the materials. See rule 701—16.3(422,423) for a characterization of the term "fabricated cost." The purchase of tangible personal property consumed by a manufacturer as building material in the manufacturer's or the manufacturer's subcontractor's performance of a construction contract outside Iowa is not subject to tax.

19.5(5) See rule 701—32.8(423) for an exemption from use tax for building materials, supplies, or equipment purchased outside Iowa, brought into this state, and subsequently used in the performance of a construction contract outside this state.

This rule is intended to implement Iowa Code sections 422.42(12) and 422.42(13).