

701—215.4(423) Chemicals, solvents, sorbents, or reagents used in processing.

215.4(1) Chemicals, solvents, sorbents, and reagents directly used and consumed, dissipated, or depleted in processing tangible personal property intended to be sold ultimately at retail are exempt from sales and use tax. For the purpose of this processing exemption rule, free newspapers and shoppers' guides are considered to be retail sales. The terms "chemical," "solvent," "sorbent," and "reagent" are defined in rule 701—200.1(423).

215.4(2) For the purpose of this rule, a catalyst is considered to be a chemical, solvent, sorbent, or reagent. A catalyst is a substance which promotes or initiates a chemical reaction and, as such, is exempt from tax if consumed, dissipated, or depleted during processing of tangible personal property intended to be ultimately sold at retail.

215.4(3) To qualify for this exemption, all of the following conditions must be met:

- a.* The item must be a chemical, solvent, sorbent, or reagent.
- b.* The chemical, solvent, sorbent, or reagent must be directly used and consumed, dissipated, or depleted during processing.
- c.* The processing must be performed on tangible personal property intended to be sold ultimately at retail.
- d.* The chemical, solvent, sorbent, or reagent need not become an integral or component part of the processed tangible personal property.

This rule is intended to implement Iowa Code section 423.3(51).

[ARC 8160C, IAB 7/24/24, effective 8/28/24]