

701—219.5(423) Building materials, supplies, and equipment used in the performance of construction contracts within and outside Iowa.**219.5(1) Use by manufacturer.**

a. Outside of Iowa. The use of building materials, supplies, or equipment in the performance of construction contracts or contracts for reconstruction, alteration, expansion, or remodeling by the manufacturer outside Iowa is not a sale of tangible personal property and, therefore, is not a taxable event.

b. Within Iowa. The use of tangible personal property as building materials, supplies, or equipment by the manufacturer in the performance of construction contracts or contracts for reconstruction, alteration, expansion, or remodeling 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.

219.5(2) Use by contractor-retailer outside of Iowa. A contractor-retailer's withdrawal of materials from inventory for use in construction contracts or contracts for reconstruction, alteration, expansion, or remodeling outside this state is not a taxable event.

219.5(3) Use by contractor in and outside of Iowa. A contractor is a consumer by statute. A contractor's purchase of materials for use in a construction contract or a contract for reconstruction, alteration, expansion, or remodeling is subject to tax whether the materials are purchased for use in construction contracts performed in Iowa or outside this state.

219.5(4) Purchase by manufacturer. A manufacturer's purchase of tangible personal property consumed as building materials in the manufacturer's or the manufacturer's subcontractor's performance of construction contracts or contracts for reconstruction, alteration, expansion, or remodeling within Iowa is taxable. The tax is computed on the fabricated cost or cost of production of the materials. The purchase of tangible personal property consumed by a manufacturer as building materials in the manufacturer's or the manufacturer's subcontractor's performance of a construction contract or a contract for reconstruction, alteration, expansion, or remodeling outside Iowa is not subject to tax.

219.5(5) Purchases from and used outside of Iowa. Building materials, supplies, or equipment purchased outside Iowa, brought into this state, and subsequently used in the performance of a construction contract or a contract for reconstruction, alteration, expansion, or remodeling outside this state is exempt from use tax.

This rule is intended to implement Iowa Code section 423.2(1) "c."

[ARC 8161C, IAB 7/24/24, effective 8/28/24]