

**701—204.2(423) Permissible categories of exemptions.****204.2(1) Definitions.**

*“Entity-based exemption”* means an exemption based on who purchases the product or who sells the product.

*“Product-based exemption”* means an exemption based on the description of the product and not based on who purchases the product or how the purchaser intends to use the product.

*“Use-based exemption”* means an exemption based on the purchaser’s use of the product.

**204.2(2) Product-based exemptions.** Iowa will enact a product-based exemption without restriction only if the agreement does not have a definition for the product or for a term that includes the product. If the agreement has a definition for the product or for a term that includes the product, Iowa will exempt all items included within the definition but will not exempt only part of the items included within the definition unless the agreement sets out the exemption for part of the items as an acceptable variation.

**204.2(3) Entity-based and use-based exemptions.** Iowa will enact an entity-based or a use-based exemption without restriction only if the agreement has no definition for the product whose use or purchase by a specific entity is exempt or for a term that includes the product. If the agreement has a definition for the product whose use or specific purchase is exempt, Iowa will enact an entity-based or a use-based exemption that applies to that product only if the exemption utilizes the agreement’s definition of the product. If the agreement does not have a definition for the product whose use or specific purchase is exempt but has a definition for a term that includes the product, Iowa has the power to enact an entity-based or a use-based exemption for the product without restriction.

This rule is intended to implement Iowa Code chapter 423, subchapter IV.

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