

**701—26.28(422) Machine operators.** Persons engaged in the business of operating machines of all kinds, belonging to other persons, where a fee is charged, are rendering, furnishing or performing a service, the gross receipts from which are subject to tax. “Machine operator” is a person who exercises the privilege of managing, controlling and conducting a mechanical device or a combination of mechanical powers and devices used to perform some function and produce a certain effect or result. For example, the operation of the following machines is a taxable service: typewriters, manufacturing machinery and equipment, computers, calculators, and cash registers. This list of not all-inclusive. Telephones, automobiles and airplanes are not machines for the purpose of this rule, and the operation of these items is not the taxable service of a machine operator.

The service of machine operator is not subject to tax when performed by an employee directly for that employee’s employer. In addition, to be taxable as machine operation, the operation of the machine must be the primary service that is being performed and not just incidental to the performance of the primary service being rendered.

Below are examples regarding the service of “machine operator”:

EXAMPLE 1. Employee 1 is hired to perform data entry work on a computer for the employer. The services of employee 1 are that of machine operator, but are not subject to tax because employee 1 is performing the services directly for the employer.

EXAMPLE 2. ABC Company hires a person from a temporary employment agency to perform data entry work on a computer. ABC Company pays a set per-hour fee for the services of the data entry person. The service performed by the person is that of a machine operator. ABC Company must pay sales or use tax on the fee imposed by the temporary employment agency.

EXAMPLE 3. ABC Company hires telemarketing personnel from a temporary employment agency for sales calls during the holiday season. ABC Company does not owe tax on the fee charged by the temporary employment agency. The services of a telemarketer would not be taxable as those of a machine operator since the telephone is not a machine for the purpose of this rule.

This rule is intended to implement Iowa Code section 422.43.