

701—251.2(423C) Tax imposed upon rental of automobiles.

251.2(1) Generally. A tax at the rate of 5 percent is imposed on the rental price of any automobile if the rental transaction is taxed under Iowa sales or Iowa use tax law. The tax imposed is in addition to the Iowa state sales or use tax. However, if the rental transaction is not subject to the state sales or use tax, then no automobile rental excise tax is due.

a. Sales tax. Sales tax is due on the rental price of the “rental” of an automobile if possession or the right to possession of the automobile is transferred, under a rental contract, in Iowa.

b. Use tax. Use tax is due on the rental price if an automobile is rented outside Iowa, used in Iowa under the rental contract, and payment of the rental price is made in Iowa at the termination of the rental agreement.

251.2(2) Administration. The director of revenue is required to administer the excise tax on automobile rental as nearly as possible in conjunction with the administration of the state sales tax.

a. Monthly reporting. On a monthly basis, the correct amount of automobile tax collected and due must be reported and remitted to the department electronically via GovConnectIowa.

b. Permit. No permit, other than an Iowa sales and use tax permit, is required to collect the tax imposed under Iowa Code chapter 423C. However, the director may require persons responsible for collecting the automobile rental excise tax to register with the department.

c. Other aspects to administration. 701—Chapters 10, 11, 201, 202, and 203 provide more information on other details of administering this tax.

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