

**701—17.11(422,423) Educational institution.** Goods, wares or merchandise purchased by any private nonprofit educational institution in the state and used for educational purposes shall be exempt from sales tax. The gross receipts from the sale of textbooks and hot lunches to students shall be exempt from sales tax to the extent the profits from the sales are used for educational purposes. The sales of the yearbooks to schools which have executed contracts with yearbook companies to purchase yearbooks are considered sales for resale and are exempt from tax. The sales of yearbooks from the school to the students and others are considered an educational activity and are exempt to the extent the profits therefrom are expended for educational purposes.

Effective January 1, 2002, “educational institution” means an institution which primarily functions as a school, college, or university with students, faculty, and an established curriculum. The faculty of an educational institution must be associated with the institution and the curriculum must include basic courses which are offered every year. “Educational institution” includes an institution primarily functioning as a library.

EXAMPLE 1: ABC Child Care (ABC) is a private nonprofit organization that provides the service of caring for children newborn to six years of age. In addition, ABC teaches the children basic learning skills such as shapes, numbers, colors, and the alphabet. ABC teaches the same skills every year using the same techniques. ABC is not a private educational institution. ABC’s primary purpose is to provide child care. The education of the children is a secondary activity. Consequently, ABC would not qualify for exemption from sales tax.

EXAMPLE 2: Little People’s Preschool is a nonprofit private organization that teaches children from the ages of three to six years old. Little People’s Preschool teaches the children basic learning skills such as shapes, numbers, colors and the alphabet by using certified faculty and accredited curriculum. Little People’s Preschool is a private nonprofit educational institution and is eligible to claim the exemption.

When purchases are made by any private nonprofit educational institution and the institution is acting as an agent for the sale to any student or other person, the sales are taxable if the proceeds from the sale are not used for educational purposes.

When private nonprofit educational institutions contract with food service companies to make sales of food or other sales at the educational institution, certain sales by the food service company are taxable or exempt depending on the circumstances.

#### Taxable Sales

A. All cash sales of meals or foods that could not be purchased in the same form or quantity in a retail store accepting food coupons (see rule 701—20.1(422,423) to 20.6(422,423)), shall be taxable whether sold at snack bars, grills, cafeterias, restaurants, or cafes and whether or not sold to students.

B. All vending machine sales without exception.

C. Special event billings to colleges for feeding of guests not connected with the college.

D. Special event billings to colleges for feeding at banquets, parties, or social events not connected with the college.

E. Cash sales of any function where collection is made direct, whether or not to students.

F. Sales to fraternities or sororities for parties, banquets or social events not billed to college.

G. Special event feedings of commercial or social clubs such as chambers of commerce, Rotarians, Kiwanis, alumni, advertising clubs, or political groups, even though billed through the college.

#### Exempt Sales

A. Student board billing to include freshman days and student orientation when billed to the college and included in tuition.

B. Students and faculty casual board when billed to college.

C. Teas, conferences, and parties when given by faculty for students and billed to the college.

D. Athletic or training table feeding when billed to the college.

E. Special events sponsored by colleges for visiting dignitaries, or functions related to education and billed to the college.

F. Picnics for students on education field trips and billed to the college.

The above examples are not all-inclusive, only a general guideline.

A private nonprofit educational institution consists of a school, college, or university with students, faculty, and an established curriculum, a group of qualifying organizations acting in concert, or libraries.

This rule is intended to implement Iowa Code sections 422.42, 422.43, 422.45(3) as amended by 2001 Iowa Acts, House File 736, section 2, 422.45(7), 422.45(8) as amended by 2001 Iowa Acts, House File 736, section 3, 423.1, and 423.4.