

701—225.2(423) A service purchased for resale. A service is purchased for resale when it is subcontracted by the person who is contracted to perform the service.

225.2(1) Services purchased for resale are purchased exempt from tax.

EXAMPLE 1. X is a printer and enters into a contract with Y to print 500 bulletins. X subcontracts the job to Z. Z prints the 500 bulletins for X. There is no tax on the contracts between X and Z since X is purchasing the printing service from Z for resale to Y.

EXAMPLE 2. B owns a used car lot. E purchases an automobile from B. As a condition of such sale, B agrees to make repairs to the automobile. However, B subcontracts such repair work to C. E has agreed to pay B for the repair services and for the sale price of the automobile. Under these circumstances, the repair services furnished by C to B constitute a sale of such services to B for resale to E, who is the consumer of these services.

EXAMPLE 3. B owns an auto repair shop and C brings an automobile in to have the air conditioner fixed. B is unable to fix the air conditioner so the auto is sent to G, who is an air-conditioning specialist. The sale of G's service to B is a sale for resale by B to C.

225.2(2) Services not purchased for resale. The tax on services must be collected at the time the service is complete even if the service is not purchased by the ultimate beneficiary.

EXAMPLE. A operates a test laboratory business. A agrees to provide testing services to B. In the course of conducting the tests, A rents equipment from C. In computing the fee which B has agreed to pay A for testing services, A will include A's costs, including the rental A paid to C in rendering the testing services. Under these circumstances, A furnished B with testing services, and not with the equipment rental services which C furnished to A. A is the consumer of the equipment rental services which are not resold to B, and B is the consumer of the testing services.

This rule is intended to implement Iowa Code section 423.3(2).