

701—26.81(422) Sales of bundled services contracts. The gross receipts from sales of bundled services contracts are subject to Iowa sales tax. For purposes of this rule, a “bundled services contract” means an agreement providing for a retailer’s performance of services, one or more of which is a taxable service enumerated in Iowa Code section 422.43 and one or more of which is nontaxable or exempt, in return for a consumer’s or user’s single payment for the performance of the services, with no separate statement to the consumer or user of what portion of that payment is attributable to any one service which is a part of the contract. If that portion of a consumer’s payment for a bundled services contract which is attributable to the performance of a taxable service or services can be segregated by contract or otherwise from that portion of the payment which is attributable to the performance of a service or services which are not taxable, then only that portion of the payment which is attributable to the performance of a taxable service or services is subject to tax.

EXAMPLE 1. Company A provides a bundled services contract which provides the following services to consumers: Internet access, interstate long distance service, intrastate long distance service, local telephone service, cable television service, and computer rental. Gross receipts from the performance of Internet access and interstate long distance services are not taxed under Iowa law. Gross receipts from the performance of the other four services are taxable. Company A offers, in six separate contracts, each service individually to customers for the price of \$25 per month. Company A’s monthly charge for its bundled services contract is \$150. Fifty dollars of the monthly charge for the bundled services contract, that portion which represents Internet access and interstate long distance services, is excluded from tax. One hundred dollars, that portion of the monthly charge representing the taxable services of intrastate and local telephone service, cable television and computer rental, is taxable.

EXAMPLE 2. Company B offers a contract for the bundled services of long distance telephone service (interstate and intrastate), local telephone service, and Internet access service. Its monthly charge for these bundled services is \$80. The bundled services contract is the only service contract which Company B offers, and there is nothing else in Company B’s notice to the customer to indicate how much of the monthly service charge is attributable to taxable services and how much is attributable to services which are not taxable. Under these circumstances, the entire amount of \$80 is subject to tax.

As of July 1, 2001, for purposes of the administration of the tax on bundled services contracts, the director of the department may enter into agreements of limited duration with individual retailers, groups of retailers, or organizations representing retailers of bundled services contracts. Once approved, such an agreement shall impose the tax rate only upon that portion of the gross receipts from a bundled services contract which is attributable to taxable services provided under the contract.

This rule is intended to implement Iowa Code Supplement section 422.43.