

**701—282.7(423) Property used to manufacture certain vehicles to be leased.** Tangible personal property which by means of fabrication, compounding, or manufacturing becomes an integral part of vehicles defined in Iowa Code section 321.1, subsections 4, 6, 8, 9, and 10, is exempt from use tax provided the vehicle is manufactured for lease and actually leased to a lessee for use outside the state of Iowa and the subsequent sole use in Iowa is in interstate commerce or interstate transportation. Such vehicles are commonly known as motor trucks, truck tractors, road tractors, trailers, and semitrailers.

The exemption provided in this rule shall not be applicable to any vehicle designed primarily for the purpose of carrying persons.

Should a vehicle, which has been manufactured for lease and actually leased to a lessee for use outside the state of Iowa, have a “taxable moment” (as set forth in rule 33.6(422,423)) subsequent to the lease, tax would be owing and computed at the rate of 3 percent of the cost of the materials used in the manufacture of the vehicle.

The tax shall be paid on or before the last day of the month following the close of the quarter in which a taxable moment took place.

Sales of tangible personal property used as described in this rule and otherwise subject to Iowa retail sales tax imposed pursuant to Iowa Code section 422.43 are not exempt from the sales tax under the provisions of this rule.

The exemption provided in this rule shall be retroactive to January 1, 1973.

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