

701—16.47(422) Conditional sales contracts. Iowa Code section 422.42(2) defines sales to include “conditional sales.” A conditional sale is a sale in which the vendee receives the right to the use of the goods which are the subject matter of the sale, but the transfer of title to the vendee is conditional on the performance of some condition by the vendee, usually the full payment of the purchase price.

Conditional sales in most cases are evidenced by the facts supporting the nature of the vendor’s business, intent of the parties, and the facts supporting the control over the tangible personal property by the vendee. A conditional sales contract would exist where: the vendee/lessee has total control over the property, is responsible for all losses or damages; the transfer of the property is complete except to title which passes upon the condition of full payment; and where such full payment is performed under nearly all the vendor’s “lease” arguments, except in cases of default; and, the vendor has no intent of retaining control over the property except for purposes of selling or financing it for sale. In determining whether an agreement constitutes a conditional sale or a true lease, substance shall prevail over form, and the terminology of the written agreement will be considered only to the extent that it accurately represents the true relationship of the parties.

When a conditional sale exists, sales tax is due on the full contract price at the time delivery of the property which is the subject of the contract is made. No further tax is due on the periodic payments. Interest and finance charges shall not be considered part of the selling price if they are separately stated and reasonable in amount and are, therefore, not subject to tax. *State ex rel Turner v. Younker Bros., Inc* 210 N.W.2d 550, 562 (Iowa 1973). See rule 701—15.1(422).

This rule is intended to implement Iowa Code sections 422.42(2), 422.42(3), and 422.43.