

701—33.8(423) Out-of-state rental of vehicles subject to registration subsequently used in Iowa. If a vehicle is rented outside this state (such rental occurs when possession of the vehicle is transferred to a customer pursuant to a rental contract) and used within Iowa under the rental contract, rental payments are subject to Iowa use tax if those rental payments are made in Iowa at the termination of the rental agreement. See rule 701—30.7(423) regarding credit for taxes previously paid to another state.

EXAMPLE 1. Customer W signs a rental contract and takes possession of a rental car in Los Angeles. W drives the car to Des Moines and then pays a total charge for the rental of \$300. This \$300 payment is subject to Iowa use tax assuming that no tax was previously paid to another state.

EXAMPLE 2. Customer X rents and takes possession of a truck in Phoenix, Arizona. There customer X pays a \$500 deposit to the rental agency. Rental of the truck is on a mileage and per-day basis. Customer X then drives the truck to Des Moines. The mileage and per-day charges add up to \$600. Customer X pays the rental agency an additional \$100. This \$100 is subject to Iowa use tax.