

**CHAPTER 423**  
**STREAMLINED SALES AND USE TAX ACT**

Referred to in §15.331A, 15.331C, 15.355, 15J.4, 27C.2, 29C.24, 34A.7B, 262.54, 321.24, 321.105A, 321F.9, 421.71, 422.1, 423B.5, 423B.6, 423C.3, 423C.4, 423D.2, 423D.4, 423G.5, 453A.26, 453A.28, 453A.46, 453A.47C, 476B.2, 476B.6, 476B.7, 476B.8, 476C.4, 476C.6, 714.27A, 728.1

Former ch 423 repealed effective July 1, 2004; see 2003 Acts,  
1st Ex, ch 2, §94 – 151, 205

	SUBCHAPTER I	423.16	Transactions to which the general sourcing rules do not apply.
	DEFINITIONS		
423.1	Definitions.	423.17	Sourcing rules for various types of leased or rented equipment which is not transportation equipment.
	SUBCHAPTER II	423.18	Multiple points of use exemption forms. Repealed by 2007 Acts, ch 179, §9.
	SALES TAX		
423.2	Tax imposed.	423.19	Direct mail sourcing.
423.2A	Deposit and transfer of revenues.	423.20	Telecommunications service sourcing.
423.3	Exemptions.		
423.4	Refunds.	423.21	Bad debt deductions.
		423.22	Taxation in another state.
		423.23	Sellers' agreements.
	SUBCHAPTER III	423.24	Absorbing tax prohibited.
	USE TAX	423.24A	Reimbursement for the primary road fund. Repealed by 2003 Acts, 1st Ex, ch 2, §151, 205.
423.5	Imposition of tax.	423.25	Director's power to adopt rules.
423.6	Exemptions.	423.26	Vehicles subject only to the issuance of title — vehicle lease transactions not requiring title or registration.
	SUBCHAPTER IV		
	UNIFORM SALES AND USE TAX ADMINISTRATION ACT		
423.7	Title.	423.26A	Manufactured housing — collection of use tax — certificate of title.
423.7A	Motor vehicle lease tax. Repealed by 2003 Acts, 1st Ex, ch 2, §151, 205.	423.27	Motor vehicle lease tax. Repealed by 2008 Acts, ch 1113, §46.
423.8	Legislative finding and intent.	423.28	Sales tax report — deduction. Repealed by 2012 Acts, ch 1110, §23.
423.9	Authority to enter agreement — representatives on governing board.	423.29	Collections by sellers.
423.9A	Iowa streamlined sales tax advisory council.	423.30	Foreign sellers not registered under the agreement.
423.10	Relationship to state law.	423.31	Filing of sales or use tax returns and payment of sales or use tax.
423.11	Agreement requirements.		
423.12	Limited binding and beneficial effect.	423.32	Filing of use tax returns and payment of use tax. Repealed by 2022 Acts, ch 1138, §35.
	SUBCHAPTER V	423.33	Liability of persons for payment of sales or use tax.
	SALES AND USE TAX ACT ADMINISTRATION — RETAILERS NOT REGISTERED UNDER AGREEMENT — CONSUMERS OBLIGATED TO PAY USE TAX DIRECTLY		
423.13	Purpose of this subchapter.	423.34	Liability of user.
423.13A	Administration — effectiveness of agreements with retailers.	423.34A	Exclusion from liability for purchasers.
423.14	Sales and use tax collection.	423.35	Posting of bond to secure payment.
423.14A	Persons required to collect sales and use tax — supplemental conditions, requirements, and responsibilities.	423.36	Permits required to collect sales or use tax — applications — revocation.
		423.37	Failure to file sales or use tax returns — incorrect returns — limitations period.
423.14B	Sales and use tax reporting requirements — penalties.	423.38	Judicial review. Repealed by 2023 Acts, ch 115, §39, 40.
423.15	General sourcing rules.		

423.39	Service of notices.	423.49	Return requirements — electronic filing.
423.40	Penalties — offenses — limitation.		
423.41	Books — examination.	423.50	Remittance of funds.
423.42	Statutes applicable.	423.51	Administration of exemptions.
423.43	Deposit of revenues.	423.52	Relief from liability for sellers and certified service providers.
423.44	Reimbursement for primary road fund. Repealed by 2008 Acts, ch 1113, §123.	423.53	Bad debts and model 1 sellers.
423.45	Refunds — exemption certificates.	423.54	Amnesty for registered sellers.
423.46	Rate and base changes — liability for failure to collect.	423.55	Databases.
423.47	Refunds and credits.	423.56	Confidentiality and privacy protections under model 1.
	SUBCHAPTER VI		
	SALES AND USE TAX ACT ADMINISTRATION — RETAILERS REGISTERED VOLUNTARILY UNDER AGREEMENT	423.57	Statutes applicable.
423.48	Responsibilities and rights of sellers registered under the agreement.	423.58	Collection, permit, and tax return exemption for certain out-of-state businesses.

## SUBCHAPTER I

## DEFINITIONS

**423.1 Definitions.**

As used in [this chapter](#) the following words, terms, and phrases have the meanings ascribed to them by [this section](#), except where the context clearly indicates that a different meaning is intended:

1. “*Advertising and promotional direct mail*” means direct mail the primary purpose of which is to attract public attention to a product, person, business, or organization or in an attempt to sell, popularize, or secure financial support for a product, person, business, or organization. For purposes of [this subsection](#), “*product*” may include tangible personal property, a service, or an item transferred electronically.

2. “*Affiliate*” means any entity to which any of the following applies:

- Directly, indirectly, or constructively controls another entity.
- Is directly, indirectly, or constructively controlled by another person.
- Is subject to the control of a common person. A common person is a person who owns directly or indirectly more than ten percent of the voting securities of the entity.

3. “*Agent*” means a person appointed by a seller to represent the seller before the member states.

4. “*Agreement*” means the streamlined sales and use tax agreement authorized by [subchapter IV](#) of [this chapter](#) to provide a mechanism for establishing and maintaining a cooperative, simplified system for the application and administration of sales and use taxes.

5. “*Agricultural production*” includes the production of flowering, ornamental, or vegetable plants in commercial greenhouses or otherwise, and production from aquaculture, and production from silvicultural activities. “*Agricultural products*” includes flowering, ornamental, or vegetable plants and those products of aquaculture and silviculture.

6. “*Business*” includes any activity engaged in by any person or caused to be engaged in by the person with the object of gain, benefit, or advantage, either direct or indirect.

7. “*Certificate of title*” means a certificate of title issued for a vehicle or for manufactured housing under [chapter 321](#).

8. “*Certified automated system*” means software certified under the agreement to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state, and maintain a record of the transaction.

9. “*Certified service provider*” means an agent certified under the agreement to perform all of a seller’s sales or use tax functions, other than the seller’s obligation to remit tax on its own purchases.

10. “*Computer*” means an electronic device that accepts information in digital or similar form and manipulates the information for a result based on a sequence of instructions.

10A. “*Computer peripheral*” means an ancillary device connected to the computer digitally, by cable, or by other medium, used to put information into or get information out of a computer.

11. “*Computer software*” means a set of coded instructions designed to cause a computer or automatic data processing equipment to perform a task.

12. “*Delivered electronically*” means delivered to the purchaser by means other than tangible storage media.

13. “*Delivery charges*” means charges assessed by a seller of personal property or services for preparation and delivery to a location designated by the purchaser of personal property or services including but not limited to transportation, shipping, postage, handling, crating, and packing charges.

14. “*Department*” means the department of revenue.

15. a. “*Direct mail*” means printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items is not billed directly to the recipients. “*Direct mail*” includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material.

b. “*Direct mail*” does not include:

(1) Multiple items of printed material delivered to a single address.

(2) The development of billing information or the provision of a data processing service that is more than incidental.

16. “*Director*” means the director of revenue.

17. “*Electronic*” means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

18. “*Farm deer*” means the same as defined in [section 170.1](#).

19. “*Farm machinery and equipment*” means machinery and equipment used in agricultural production.

20. “*First use of a service*”. A “*first use of a service*” occurs, for the purposes of [this chapter](#), at the location at which the service is received. For purposes of [this subsection](#), the location at which the service is received is the location at which the purchaser or the purchaser’s donee can first make use of the result of the service. For purposes of [this subsection](#), the location at which the seller performs the service is not determinative of the location at which the service is received.

21. Reserved.

22. “*Governing board*” means the group comprised of representatives of the member states of the agreement which is created by the agreement to be responsible for the agreement’s administration and operation.

22A. “*Information services*” means delivering or providing access to databases or subscriptions to information through any tangible or electronic medium. “*Information services*” includes but is not limited to database files, research databases, genealogical information, and other similar information.

23. “*Installed purchase price*” is the amount charged, valued in money whether paid in money or otherwise, by a building contractor to convert manufactured housing from tangible personal property into realty. “*Installed purchase price*” includes but is not limited to amounts charged for installing a foundation and electrical and plumbing hookups. “*Installed purchase price*” excludes any amount charged for landscaping in connection with the conversion.

24. a. “*Lease or rental*” means any transfer of possession or control of, or access to, tangible personal property or specified digital products for a fixed or indeterminate term for consideration. A “*lease or rental*” may include future options to purchase or extend.

b. “*Lease or rental*” includes agreements covering motor vehicles and trailers when the amount of consideration may be increased or decreased by reference to the amount realized upon sale or disposition of the property as defined in 26 U.S.C. §7701(h)(1).

c. “*Lease or rental*” does not include any of the following:

(1) A transfer of possession or control of property under a security agreement or deferred payment plan that requires the transfer of title upon completion of the required payments.

(2) A transfer of possession or control of property under an agreement that requires the transfer of title upon completion of required payments, and payment of any option price does not exceed the greater of one hundred dollars or one percent of the total required payments.

(3) Providing tangible personal property along with an operator for a fixed or indeterminate period of time. A condition of this exclusion is that the operator is necessary for the equipment to perform as designed. For the purpose of this subparagraph, an operator must do more than maintain, inspect, or set up the tangible personal property.

d. This definition shall be used for sales and use tax purposes regardless of whether a transaction is characterized as a lease or rental under generally accepted accounting principles; the Internal Revenue Code; the uniform commercial code, [chapter 554](#); or other provisions of federal, state, or local law.

25. “Livestock” includes but is not limited to an animal classified as an ostrich, rhea, emu, bison, farm deer, or preserve whitetail as defined in [section 484C.1](#).

26. “Manufactured housing” means “manufactured home” as defined in [section 321.1](#).

27. “Member state” is any state which has signed the agreement.

28. “Mobile home” means “manufactured or mobile home” as defined in [section 321.1](#).

29. “Model 1 seller” is a seller registered under the agreement that has selected a certified service provider as its agent to perform all the seller’s sales and use tax functions, other than the seller’s obligation to remit tax on its own purchases.

30. “Model 2 seller” is a seller registered under the agreement that has selected a certified automated system to perform part of its sales and use tax functions, but retains responsibility for remitting the tax.

31. “Model 3 seller” is a seller registered under the agreement that has sales in at least five member states, has total annual sales revenue of at least five hundred million dollars, has a proprietary system that calculates the amount of tax due each jurisdiction, and has entered into a performance agreement with the member states that establishes a tax performance standard for the seller. As used in this definition, a “seller” includes an affiliated group of sellers using the same proprietary system.

32. “Model 4 seller” is a seller registered under the agreement that is not a model 1, model 2, or model 3 seller.

33. “Nonresidential commercial operations” means industrial, commercial, mining, or agricultural operations, whether for profit or not, but does not include apartment complexes, manufactured home communities, or mobile home parks.

34. “Not registered under the agreement” means lack of registration by a seller with the member states under the central registration system referenced in [section 423.11, subsection 4](#).

35. “Other direct mail” means all direct mail that is not advertising and promotional direct mail even if advertising and promotional direct mail is included in the same mailing. For purposes of [this subsection](#), other direct mail includes but is not limited to:

a. Transactional direct mail that contains personal information specific to the addressee including but not limited to invoices, bills, statements of account, and payroll advices.

b. A legally required mailing including but not limited to privacy notices, tax reports, and stockholder reports.

c. Other nonpromotional direct mail delivered to existing or former shareholders, customers, employees, or agents including but not limited to newsletters and pieces of informational literature.

36. “Person” means an individual, trust, estate, fiduciary, partnership, limited liability company, limited liability partnership, corporation, or any other legal entity.

36A. “Personal property” includes but is not limited to tangible personal property and specified digital products.

37. “Place of business” means any warehouse, store, place, office, building, or structure where tangible personal property, specified digital products, or services are offered for sale at retail or where any taxable amusement is conducted, or each office where gas, water, heat, communication, or electric services are offered for sale at retail. When a retailer or

amusement operator sells merchandise by means of vending machines or operates music or amusement devices by coin-operated machines at more than one location within the state, the office, building, or place where the books, papers, and records of the taxpayer are kept shall be deemed to be the taxpayer's place of business.

38. "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the purchaser. The combining of two or more prewritten computer software programs or prewritten portions of prewritten programs does not cause the combination to be other than prewritten computer software. "Prewritten computer software" also means computer software, including prewritten upgrades, which is not designed and developed by the author or other creator to the specifications of a specific purchaser. When a person modifies or enhances computer software of which the person is not the author or creator, the person shall be deemed to be the author or creator only of such person's modifications or enhancements. Prewritten computer software or a prewritten portion of the prewritten software that is modified or enhanced to any degree, when such modification or enhancement is designed and developed to the specifications of a specific purchaser, remains prewritten computer software. However, when there is a reasonable, separately stated charge or an invoice or other statement of the price given to the purchaser for such modification or enhancement, such modification or enhancement shall not constitute prewritten computer software.

39. "Property purchased for resale in connection with the performance of a service" means property which is purchased for resale in connection with the rendition, furnishing, or performance of a service by a person who renders, furnishes, or performs the service if all of the following occur:

a. The provider and user of the service intend that a sale of the property will occur.

b. The property is transferred to the user of the service in connection with the performance of the service in a form or quantity capable of a fixed or definite price value.

c. The sale is evidenced by a separate charge for the identifiable piece of property.

40. "Purchase" means any transfer, exchange, or barter, conditional or otherwise, in any manner or by any means whatsoever, for a consideration.

41. "Purchase price" means the same as "sales price" as defined in [this section](#).

42. "Purchaser" is a person to whom a sale of personal property is made or to whom a service is furnished.

43. a. "Receive" and "receipt" mean any of the following:

(1) Taking possession of tangible personal property.

(2) Making first use of a service.

(3) Taking possession or making first use of specified digital products, whichever comes first.

b. "Receive" and "receipt" do not include possession by a shipping company on behalf of a purchaser.

44. "Registered under the agreement" means registration by a seller under the central registration system referenced in [section 423.11, subsection 4](#).

45. "Relief agency" means the state, any county, city and county, city, or district thereof, or any agency engaged in actual relief work.

46. "Retail sale" or "sale at retail" means any sale, lease, or rental for any purpose other than resale, sublease, or subrent.

47. "Retailer" means and includes every person engaged in the business of selling tangible personal property, specified digital products, or taxable services at retail, or the furnishing of gas, electricity, water, or communication service, and tickets or admissions to places of amusement and athletic events or operating amusement devices or other forms of commercial amusement from which revenues are derived. However, when in the opinion of the director it is necessary for the efficient administration of [this chapter](#) to regard any agent or affiliate of a retailer as a retailer for purposes of [this chapter](#), the director may so regard them, or when it is necessary for the efficient administration of [this chapter](#) to regard any salespersons, representatives, truckers, peddlers, canvassers, or other persons as agents of the dealers, distributors, supervisors, employers, or persons under whom they operate or from whom

they obtain tangible personal property, services, or specified digital products sold by them irrespective of whether or not they are making sales on their own behalf or on behalf of such dealers, distributors, supervisors, employers, or persons, the director may so regard them, and may regard such dealers, distributors, supervisors, employers, or persons as retailers for the purposes of [this chapter](#). “Retailer” includes a seller obligated to collect sales or use tax, including any person obligated to collect sales and use tax pursuant to [section 423.14A](#).

48. *a.* “Retailer maintaining a place of business in this state” or any like term includes any of the following:

(1) A retailer having or maintaining within this state, directly or by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any representative operating within this state under the authority of the retailer or its subsidiary, irrespective of whether that place of business or representative is located here permanently or temporarily, or whether the retailer or subsidiary is admitted to do business within this state pursuant to [chapter 490](#).

(2) A person obligated to collect sales and use tax pursuant to [section 423.14A](#).

*b.* (1) A retailer shall be presumed to be maintaining a place of business in this state for purposes of paragraph “a”, subparagraph (1), if any person that has substantial nexus in this state, other than a person acting in its capacity as a common carrier, does any of the following:

(a) Sells a similar line of products as the retailer and does so under the same or similar business name.

(b) Maintains an office, distribution facility, warehouse, storage place, or similar place of business in this state to facilitate the delivery of personal property or services sold by the retailer to the retailer’s customers.

(c) Uses trademarks, service marks, or trade names in this state that are the same or substantially similar to those used by the retailer.

(d) Delivers, installs, assembles, or performs maintenance services for the retailer’s customers.

(e) Facilitates the retailer’s delivery of property to customers in this state by allowing the retailer’s customers to take delivery of property sold by the retailer at an office, distribution facility, warehouse, storage place, or similar place of business maintained by the person in this state.

(f) Conducts any other activities in this state that are significantly associated with the retailer’s ability to establish and maintain a market in this state for the retailer’s sales.

(2) The presumption established in this paragraph may be rebutted by a showing of proof that the person’s activities in this state are not significantly associated with the retailer’s ability to establish or maintain a market in this state for the retailer’s sales.

49. “Retailers who are not model sellers” means all retailers other than model 1, model 2, or model 3 sellers.

50. *a.* “Sales” or “sale” means any transfer, exchange, or barter, conditional or otherwise, in any manner or by any means whatsoever, for consideration, including but not limited to any such transfer, exchange, or barter on a subscription basis.

*b.* “Sales” or “sale” includes a rental.

51. “Sales price” applies to the measure subject to sales tax.

*a.* “Sales price” means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for any of the following:

(1) The seller’s cost of the property sold.

(2) The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller except as provided in paragraph “b”, subparagraphs (5) and (6), and any other expenses of the seller.

(3) Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges.

(4) Delivery charges.

(5) Installation charges.

(6) Credit for any trade-in authorized by [section 423.3, subsection 59](#).

b. “Sales price” does not include:

(1) Discounts, including cash, term, or coupons that are not reimbursed by a third party that are allowed by a seller and taken by a purchaser on a sale.

(2) Interest, financing, and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

(3) Any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

(4) Trade discounts given or allowed by manufacturers, distributors, or wholesalers to retailers or by manufacturers or distributors to wholesalers and payments made by manufacturers, distributors, or wholesalers directly to retailers or by manufacturers or distributors to wholesalers to reduce the sales price of the manufacturer’s, distributor’s, or wholesaler’s product or to promote the sale or recognition of the manufacturer’s, distributor’s, or wholesaler’s product. This subparagraph does not apply to coupons issued by manufacturers, distributors, or wholesalers to consumers.

(5) Any state or local tax on a retail sale that is imposed on the seller if the statute, rule, or local ordinance imposing the tax provides that the seller may, but is not required to, collect such tax from the consumer, and if the tax is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

(6) Any tribal tax on a retail sale that is imposed on the seller if the tribal law imposing the tax provides that the seller may but is not required to collect such tax from the consumer, and if the tax is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

c. The sales price does not include and the sales tax shall not apply to amounts received for charges included in paragraph “a”, subparagraphs (3) through (6), if they are separately contracted for, separately stated on the invoice, billing, or similar document given to the purchaser, and the amounts represent charges which are not the sales price of a taxable sale or of the furnishing of a taxable service.

d. For purposes of this definition, the sales price from a rental or lease includes rent, royalties, and copyright and license fees.

52. “Sales tax” means the tax levied under [subchapter II of this chapter](#).

53. “Seller” means any person making sales, leases, or rentals of personal property or services.

54. “Services” means all acts or services rendered, furnished, or performed, other than services used in processing of tangible personal property for use in retail sales or services, for an employer who pays the wages of an employee for a valuable consideration by any person engaged in any business or occupation specifically enumerated in [section 423.2](#). The tax shall be due and collectible when first use of the service is received by the ultimate user of the service.

55. “Services used in the processing of tangible personal property” includes the reconditioning or repairing of tangible personal property of the type normally sold in the regular course of the retailer’s business and which is held for sale.

55A. “Sold at retail in the state” and other references to sales “in the state” or “in this state” includes but is not limited to sales sourced to this state under [this chapter](#).

55B. a. “Specified digital products” means electronically transferred digital audio-visual works, digital audio works, digital books, or other digital products.

b. For purposes of [this subsection](#):

(1) “Digital audio-visual works” means a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.

(2) “Digital audio works” means works that result from the fixation of a series of musical, spoken, or other sounds, including but not limited to ringtones. For purposes of this subparagraph, “ringtones” means digitized sound files that are downloaded onto a device and that may be used to alert the customer with respect to a communication.

(3) “Digital books” means works that are generally recognized in the ordinary and usual sense as books.

(4) “Electronically transferred” means obtained or accessed by the purchaser by means

other than tangible storage media, including but not limited to a specified digital product purchased through a computer software application, commonly referred to as an in-app purchase, or through another specified digital product, or through any other means.

(5) “*Other digital products*” means greeting cards, images, video or electronic games or entertainment, news or information products, and computer software applications.

56. “*State*” means any state of the United States, the District of Columbia, and Puerto Rico.

57. “*State agency*” means an authority, board, commission, department, instrumentality, or other administrative office or unit of this state, or any other state entity reported in the Iowa annual comprehensive financial report, including public institutions of higher education.

57A. “*Subscription*” means any arrangement in which a person has the right or ability to access, receive, use, obtain, purchase, or otherwise acquire tangible personal property, specified digital products, or services on a permanent or less than permanent basis, regardless of whether the person actually accesses, receives, uses, obtains, purchases, or otherwise acquires such tangible personal property, specified digital product, or service.

58. “*System*” means the central electronic registration system maintained by Iowa and other states which are signatories to the agreement.

59. “*Tangible personal property*” means personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses. “*Tangible personal property*” includes electricity, water, gas, steam, and prewritten computer software.

60. “*Taxpayer*” includes any person who is subject to a tax imposed by [this chapter](#), whether acting on the person’s own behalf or as a fiduciary.

61. “*Trailer*” shall mean every trailer, as is now or may be hereafter so defined by [chapter 321](#), which is required to be registered or is subject only to the issuance of a certificate of title under [chapter 321](#).

62. “*Use*” means and includes the exercise by any person of any right or power over or access to tangible personal property or a specified digital product incident to the ownership of that property, or any right or power over or access to the product or result of a service. A retailer’s or building contractor’s sale of manufactured housing for use in this state, whether in the form of tangible personal property or of realty, is a use of that property for the purposes of [this chapter](#).

63. “*Use tax*” means the tax levied under [subchapter III](#) of [this chapter](#).

64. “*User*” means the immediate recipient of the personal property or services who is entitled to exercise a right or power over or access to the personal property, or the product or result of such services.

65. “*Value of services*” means the price to the user exclusive of any direct tax imposed by the federal government or by [this chapter](#).

66. “*Vehicles subject to registration*” means any vehicle subject to registration pursuant to [section 321.18](#).

67. “*Voting security*” means a security to which any of the following applies:

a. Confers upon the holder the right to vote for the election of members of the board of directors or similar governing body of the entity.

b. Is convertible into, or entitles the holder to receive upon its exercise, a security that confers such a right to vote.

c. Is a general partnership interest.

2003 Acts, 1st Ex, ch 2, §94, 205; 2004 Acts, ch 1073, §22, 23; 2005 Acts, ch 140, §3, 4, 42; 2006 Acts, ch 1030, §39; 2007 Acts, ch 179, §1; 2010 Acts, ch 1145, §2 – 7, 17; 2011 Acts, ch 25, §84; 2011 Acts, ch 92, §1 – 4; 2012 Acts, ch 1066, §1, 2; 2012 Acts, ch 1121, §12, 14; 2013 Acts, ch 70, §10; 2013 Acts, ch 122, §1; 2013 Acts, ch 140, §125; 2015 Acts, ch 29, §54; 2015 Acts, ch 116, §14, 19, 20; 2018 Acts, ch 1161, §155 – 168, 229, 230; 2019 Acts, ch 152, §19, 32, 33; 2020 Acts, ch 1118, §95; 2021 Acts, ch 86, §50, 51; 2022 Acts, ch 1045, §6

Referred to in §10A.519, 15.106, 15J.2, 321.105A, 418.1, 422.10, 422.33, 423.2, 423.3, 423.5, 423.15, 423.36, 423.45, 423A.2, 423B.5, 423B.6, 423B.10, 423C.2, 423D.1, 423G.2

2019 amendment to subsection 2, paragraphs b and c, applies retroactively to January 1, 2019, for tax years beginning on or after that date; 2019 Acts, ch 152, §33

## SUBCHAPTER II

## SALES TAX

Referred to in [§423.1](#), [423.19](#), [423.22](#), [423.24](#), [423.25](#), [423.36](#), [423.40](#), [423.42](#), [423B.5](#), [423C.3](#), [423F.1](#), [423F.2](#), [453A.47C](#)

**423.2 Tax imposed.**

1. There is imposed a tax of six percent upon the sales price of all sales of tangible personal property, sold at retail in the state to consumers or users except as otherwise provided in [this subchapter](#).

a. For the purposes of [this subchapter](#), sales of the following services are treated as if they were sales of tangible personal property:

- (1) Sales of engraving, printing, and binding services.
- (2) Sales of vulcanizing, recapping, and retreading services.
- (3) Sales of prepaid calling services and prepaid wireless calling services.

(4) Sales of optional service or warranty contracts, except residential service contracts regulated under [chapter 523C](#), which provide for the furnishing of labor and materials and require the furnishing of any taxable service enumerated under [this section](#). The sales price is subject to tax even if some of the services furnished are not enumerated under [this section](#). Additional sales, services, or use taxes shall not be levied on services, parts, or labor provided under optional service or warranty contracts which are subject to tax under [this subsection](#).

(5) Sales of optional service or warranty contracts for computer software maintenance or support services.

(a) If a service or warranty contract does not specify a fee amount for nontaxable services or taxable personal property, the tax imposed pursuant to [this section](#) shall be imposed upon an amount equal to the sales price of the contract.

(b) If a service or warranty contract provides only for technical support services, no tax shall be imposed pursuant to [this section](#).

(6) Subparagraphs (4) and (5) shall also apply to the use tax imposed under [section 423.5](#).

b. Sales of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property are retail sales of tangible personal property in whatever quantity sold. Where the owner, contractor, subcontractor, or builder is also a retailer holding a sales or use tax permit and transacting retail sales of building materials, supplies, and equipment, the person shall purchase such items of tangible personal property without liability for the tax if such property will be subject to the tax at the time of resale or at the time it is withdrawn from inventory for construction purposes. The sales tax shall be due in the reporting period when the materials, supplies, and equipment are withdrawn from inventory for construction purposes or when sold at retail. The tax shall not be due when materials are withdrawn from inventory for use in construction outside of Iowa and the tax shall not apply to tangible personal property purchased and consumed by the manufacturer as building materials in the performance by the manufacturer or its subcontractor of construction outside of Iowa. The sale of carpeting is not a sale of building materials. The sale of carpeting to owners, contractors, subcontractors, or builders shall be treated as the sale of ordinary tangible personal property and subject to the tax imposed under [this subsection](#) and the use tax.

c. The use within this state of tangible personal property by the manufacturer thereof, as building materials, supplies, or equipment, in the performance of construction contracts in Iowa, shall, for the purpose of [this subchapter](#), be construed as a sale at retail of tangible personal property by the manufacturer who shall be deemed to be the consumer of such tangible personal property. The tax shall be computed upon the cost to the manufacturer of the fabrication or production of the tangible personal property.

2. A tax of six percent is imposed upon the sales price of the sale or furnishing of gas, electricity, water, heat, pay television service, and communication service, including the sales price from such sales by any municipal corporation or joint water utility furnishing gas, electricity, water, heat, pay television service, and communication service to the public

in its proprietary capacity, except as otherwise provided in [this subchapter](#), when sold at retail in the state to consumers or users.

3. A tax of six percent is imposed upon the sales price of all sales of tickets or admissions to places of amusement, fairs, and athletic events except those of elementary and secondary educational institutions. A tax of six percent is imposed on the sales price of an entry fee or like charge imposed solely for the privilege of participating in an activity at a place of amusement, fair, or athletic event unless the sales price of tickets or admissions charges for observing the same activity are taxable under [this subchapter](#). A tax of six percent is imposed upon that part of private club membership fees or charges paid for the privilege of participating in any athletic sports provided club members.

4. a. A tax of six percent is imposed upon the sales price derived from the operation of all forms of amusement devices and games of skill, games of chance, raffles, and bingo games as defined in [chapter 99B](#), and card game tournaments conducted under [section 99B.27](#), that are operated or conducted within the state, the tax to be collected from the operator in the same manner as for the collection of taxes upon the sales price of tickets or admission as provided in [this section](#). Nothing in [this subsection](#) shall legalize any games of skill or chance or slot-operated devices which are now prohibited by law.

b. The tax imposed under [this subsection](#) covers the total amount from the operation of games of skill, games of chance, raffles, and bingo games as defined in [chapter 99B](#), card game tournaments conducted under [section 99B.27](#), and musical devices, weighing machines, shooting galleries, billiard and pool tables, bowling alleys, pinball machines, slot-operated devices selling merchandise not subject to the general sales taxes and on the total amount from devices or systems where prizes are in any manner awarded to patrons and upon the receipts from fees charged for participation in any game or other form of amusement, and generally upon the sales price from any source of amusement operated for profit, not specified in [this section](#), and upon the sales price from which tax is not collected for tickets or admission, but tax shall not be imposed upon any activity exempt from sales tax under [section 423.3, subsection 78](#). Every person receiving any sales price from the sources described in [this section](#) is subject to all provisions of [this subchapter](#) relating to retail sales tax and other provisions of [this chapter](#) as applicable.

5. There is imposed a tax of six percent upon the sales price from the furnishing of services as defined in [section 423.1](#).

6. The sales price of any of the following enumerated services is subject to the tax imposed by [subsection 5](#):

- a. Alteration and garment repair.
- b. Armored car.
- c. Vehicle repair.
- d. Battery, tire, and allied.
- e. Investment counseling.
- f. Service charges of all financial institutions. For the purposes of this paragraph, “*financial institutions*” means all national banks, federally chartered savings and loan associations, federally chartered savings banks, federally chartered credit unions, banks organized under [chapter 524](#), credit unions organized under [chapter 533](#), and all banks, savings banks, credit unions, and savings and loan associations chartered or otherwise created under the laws of any state and doing business in Iowa.
  - g. Barber and beauty.
  - h. Boat repair.
  - i. Vehicle wash and wax.
  - j. Campgrounds.
  - k. Carpentry repair and installation.
  - l. Roof, shingle, and glass repair.
  - m. Dance schools and dance studios.
  - n. Dating services.
  - o. Dry cleaning, pressing, dyeing, and laundering excluding the use of self-pay washers and dryers.
  - p. Electrical and electronic repair and installation.

- q. Excavating and grading.
- r. Farm implement repair of all kinds.
- s. Flying service.
- t. Furniture, rug, carpet, and upholstery repair and cleaning.
- u. Fur storage and repair.
- v. Golf and country clubs and all commercial recreation.
- w. Gun and camera repair.
- x. House and building moving.
- y. Household appliance, television, and radio repair.
- z. Janitorial and building maintenance or cleaning.
- aa. Jewelry and watch repair.
- ab. Lawn care, landscaping, and tree trimming and removal.
- ac. Personal transportation service, including but not limited to taxis, driver service, ride sharing service, rides for hire, and limousine service.
- ad. Machine operator.
- ae. Machine repair of all kinds.
- af. Motor repair.
- ag. Motorcycle, scooter, and bicycle repair.
- ah. Oilers and lubricators.
- ai. Office and business machine repair.
- aj. Painting, papering, and interior decorating.
- ak. Parking facilities.
- al. Pay television, including but not limited to streaming video, video on-demand, and pay-per-view.
- am. Pet grooming.
- an. Pipe fitting and plumbing.
- ao. Wood preparation.
- ap. Executive search agencies.
- aq. Private employment agencies, excluding services for placing a person in employment where the principal place of employment of that person is to be located outside of the state.
- ar. Reflexology.
- as. Security and detective services, excluding private security and detective services furnished by a peace officer with the knowledge and consent of the chief executive officer of the peace officer's law enforcement agency.
- at. Sewage services for nonresidential commercial operations.
- au. Sewing and stitching.
- av. Shoe repair and shoeshine.
- aw. Sign construction and installation.
- ax. Storage of household goods, mini-storage, and warehousing of raw agricultural products.
- ay. Swimming pool cleaning and maintenance.
- az. Tanning beds or salons.
- ba. Taxidermy services.
- bb. Telephone answering service.
- bc. Test laboratories, including mobile testing laboratories and field testing by testing laboratories, and excluding tests on humans or animals and excluding environmental testing services.
- bd. Termite, bug, roach, and pest eradicators.
- be. Tin and sheet metal repair.
- bf. Transportation service consisting of the rental of recreational vehicles or recreational boats, or the rental of vehicles subject to registration which are registered for a gross weight of thirteen tons or less for a period of sixty days or less, or the rental of aircraft for a period of sixty days or less.
- bg. Turkish baths, massage, and reducing salons, excluding services provided by massage therapists licensed under [chapter 152C](#).
- bh. Water conditioning and softening.

- bi. Weighing.
- bj. Welding.
- bk. Well drilling.
- bl. Wrapping, packing, and packaging of merchandise other than processed meat, fish, fowl, and vegetables.
- bm. Wrecking service.
- bn. Wrecker and towing.
- bo. Photography.
- bp. Retouching.
- bq. Storage of tangible or electronic files, documents, or other records.
- br. Information services.
- bs. Services arising from or related to installing, maintaining, servicing, repairing, operating, upgrading, or enhancing either specified digital products or software sold as tangible personal property.
- bt. Video game services and tournaments.
- bu. Software as a service.

7. a. A tax of six percent is imposed upon the sales price from the sales, furnishing, or service of solid waste collection and disposal service.

(1) For purposes of [this subsection](#), “solid waste” means garbage, refuse, sludge from a water supply treatment plant or air contaminant treatment facility, and other discarded waste materials and sludges, in solid, semisolid, liquid, or contained gaseous form, resulting from nonresidential commercial operations, but does not include auto hulks; street sweepings; ash; construction debris; mining waste; trees; tires; lead acid batteries; used oil; hazardous waste; animal waste used as fertilizer; earthen fill, boulders, or rock; foundry sand used for daily cover at a sanitary landfill; sewage sludge; solid or dissolved material in domestic sewage or other common pollutants in water resources, such as silt, dissolved or suspended solids in industrial wastewater effluents or discharges which are point sources subject to permits under section 402 of the federal Water Pollution Control Act, or dissolved materials in irrigation return flows; or source, special nuclear, or by-product material defined by the federal Atomic Energy Act of 1954.

(2) A recycling facility that separates or processes recyclable materials and that reduces the volume of the waste by at least eighty-five percent is exempt from the tax imposed by [this subsection](#) if the waste exempted is collected and disposed of separately from other solid waste.

b. A person who transports solid waste generated by that person or another person without compensation shall pay the tax imposed by [this subsection](#) at the collection or disposal facility based on the disposal charge or tipping fee. However, the costs of a service or portion of a service to collect and manage recyclable materials separated from solid waste by the waste generator are exempt from the tax imposed by [this subsection](#).

8. a. A tax of six percent is imposed on the sales price from sales of bundled transactions. For the purposes of [this subsection](#), a “bundled transaction” is the retail sale of two or more distinct and identifiable products, except real property and services to real property, which are sold for one nonitemized price. A “bundled transaction” does not include the sale of any products in which the sales price varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.

b. “Distinct and identifiable products” does not include any of the following:

(1) Packaging or other materials that accompany the retail sale of the products and are incidental or immaterial to the retail sale of the products.

(2) A product provided free of charge with the required purchase of another product. A product is “provided free of charge” if the sales price of the product purchased does not vary depending on the inclusion of the product which is provided free of charge.

(3) Items included in the definition of “sales price” pursuant to [section 423.1](#).

c. “One nonitemized price” does not include a price that is separately identified by product on binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form.

d. A transaction that otherwise meets the definition of “*bundled transaction*” as defined in [this subsection](#) is not a bundled transaction if it is any of the following:

(1) The retail sale of tangible personal property or specified digital product and a service, where the tangible personal property or specified digital product is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service.

(2) The retail sale of services where one service is provided that is essential to the use or receipt of a second service and the first service is provided exclusively in connection with the second service and the true object of the transaction is the second service.

(3) (a) A transaction that includes taxable products and nontaxable products and the purchase price or sales price of the taxable products is *de minimis*.

(b) For purposes of this subparagraph, “*de minimis*” means the seller’s purchase or sales price of the taxable products is ten percent or less of the total purchase price or sales price of the bundled products. Sellers shall use either the purchase price or the sale price of the products to determine if the taxable products are *de minimis*. Sellers may not use a combination of the purchase price and sales price of the products to determine if the taxable products are *de minimis*.

(4) The retail sale of exempt tangible personal property and taxable tangible personal property where all of the following apply:

(a) The transaction includes food and food ingredients, drugs, durable medical equipment, mobility enhancing equipment, prosthetic devices, or medical supplies.

(b) The seller’s purchase price or sales price of the taxable tangible personal property is fifty percent or less of the total purchase price or sales price of the bundled tangible personal property. Sellers may not use a combination of the purchase price and sales price of the tangible personal property when making the fifty percent determination for a transaction.

9. A tax of six percent is imposed upon the sales price from any mobile telecommunications service, including all paging services, that this state is allowed to tax pursuant to the provisions of the federal Mobile Telecommunications Sourcing Act, Pub. L. No. 106-252, 4 U.S.C. §116 et seq. For purposes of [this subsection](#), taxes on mobile telecommunications service, as defined under the federal Mobile Telecommunications Sourcing Act that are deemed to be provided by the customer’s home service provider, shall be paid to the taxing jurisdiction whose territorial limits encompass the customer’s place of primary use, regardless of where the mobile telecommunications service originates, terminates, or passes through and shall in all other respects be taxed in conformity with the federal Mobile Telecommunications Sourcing Act. All other provisions of the federal Mobile Telecommunications Sourcing Act are adopted by the state of Iowa and incorporated into [this subsection](#) by reference. With respect to mobile telecommunications service under the federal Mobile Telecommunications Sourcing Act, the director shall, if requested, enter into agreements consistent with the provisions of the federal Act.

10. a. A tax of six percent is imposed on the sales price of specified digital products sold at retail in the state. The tax applies whether the purchaser obtains permanent use or less than permanent use of the specified digital product, whether the sale is conditioned or not conditioned upon continued payment from the purchaser, and whether the sale is on a subscription basis or is not on a subscription basis.

b. The sale of a digital code that may be used to obtain or access a specified digital product shall be taxed in the same manner as the specified digital product. For purposes of this paragraph, “*digital code*” means a method that permits a purchaser to obtain or access at a later date a specified digital product.

11. All taxes collected under [this chapter](#) by a retailer or any individual are deemed to be held in trust for the state of Iowa.

12. The sales tax rate of six percent is reduced to five percent on January 1, 2051.

2003 Acts, 1st Ex, ch 2, §95, 205; 2004 Acts, ch 1073, §24, 25; 2005 Acts, ch 140, §5, 18, 43; 2006 Acts, ch 1158, §70, 80; 2007 Acts, ch 119, §6; 2007 Acts, ch 186, §20; 2008 Acts, ch 1134, §4 – 10, 36; 2010 Acts, ch 1145, §8, 9, 17; 2011 Acts, ch 25, §143; 2011 Acts, ch 92, §5; 2012 Acts, ch 1017, §84; 2012 Acts, ch 1094, §17, 18; 2012 Acts, ch 1098, §2; 2013 Acts, ch 70, §11; 2013 Acts, ch 119, §9; 2013 Acts, ch 140, §126; 2014 Acts, ch 1102, §1; 2014 Acts, ch 1110, §4;

2014 Acts, ch 1127, §1, 3; 2015 Acts, ch 114, §1; 2015 Acts, ch 120, §21 – 25; 2016 Acts, ch 1117, §2, 3; 2018 Acts, ch 1146, §1, 3, 4; 2018 Acts, ch 1161, §169 – 173, 229 – 231; 2019 Acts, ch 152, §20, 21; 2019 Acts, ch 166, §7; 2020 Acts, ch 1118, §36, 37; 2021 Acts, ch 86, §52; 2022 Acts, ch 1138, §6

Referred to in §15J.2, 15J.4, 28A.17, 29C.15, 99B.27, 321.105A, 328.26, 418.1, 418.11, 418.15, 423.1, 423.2A, 423.3, 423.4, 423.5, 423.6, 423.14A, 423.22, 423.26, 423.30, 423.34, 423.36, 423.40, 423.41, 423C.3

Local sales and services tax, §423B.5 et seq.

#### **423.2A Deposit and transfer of revenues.**

1. a. All revenues arising under the operation of the provisions of [this subchapter II](#) shall be deposited into the general fund of the state.

b. Subsequent to the deposit into the general fund of the state, the director shall credit an amount equal to the product of the sales tax rate imposed in [section 423.2](#) times the sales price of the tangible personal property or services furnished to purchasers at a baseball and softball complex that has received an award under [section 15F.207](#), Code 2019, and that meets the qualifications of [section 423.4, subsection 10](#), into the baseball and softball complex sales tax rebate fund created under [section 423.4, subsection 10](#), paragraph “e”. The director shall credit the moneys beginning the first day of the quarter following July 1, 2016. This paragraph is repealed thirty days following the date on which five million dollars in total rebates have been provided under [section 423.4, subsection 10](#).

2. Subsequent to the deposit into the general fund of the state pursuant to [subsection 1](#), the department shall do the following in the order prescribed:

a. Transfer the revenues collected under [chapter 423B](#).

b. Transfer from the remaining revenues the amounts required under [Article VII, section 10, of the Constitution of the State of Iowa](#) to the natural resources and outdoor recreation trust fund created in [section 461.31](#), if applicable.

c. Transfer one-sixth of the remaining revenues to the secure an advanced vision for education fund created in [section 423F.2](#). This paragraph “c” is repealed January 1, 2051.

d. Transfer to the baseball and softball complex sales tax rebate fund that portion of the sales tax receipts described in [subsection 1](#), paragraph “b”, remaining after the transfers required under paragraphs “a”, “b”, and “c” of [this subsection 2](#). This paragraph is repealed thirty days following the date on which five million dollars in total rebates have been provided under [section 423.4, subsection 10](#).

e. Beginning the first day of the calendar quarter beginning on the reinvestment district’s commencement date, subject to remittance limitations established by the economic development authority board pursuant to [section 15J.4, subsection 3](#), transfer to a district account created in the state reinvestment district fund for each reinvestment district established under [chapter 15J](#), the amount of new state sales tax revenue, determined in [section 15J.5, subsection 1](#), paragraph “b”, in the district, that remains after the prior transfers required under [this subsection 2](#). Such transfers shall cease pursuant to [section 15J.8](#).

f. Subject to the limitation on the calculation and deposit of sales tax increment revenues in [section 418.12](#), beginning the first day of the quarter following adoption of the resolution pursuant to [section 418.4, subsection 3](#), paragraph “d”, transfer to the account created in the sales tax increment fund for each governmental entity approved to use sales tax increment revenues under [chapter 418](#), that portion of the increase in sales tax revenue, determined in [section 418.11, subsection 2](#), paragraph “d”, in the applicable area of the governmental entity, that remains after the other transfers required under [this subsection 2](#).

g. Beginning the first day of the quarter following July 1, 2014, transfer to the raceway facility tax rebate fund created in [section 423.4, subsection 11](#), paragraph “e”, that portion of the sales tax receipts collected and remitted upon sales of tangible personal property or services furnished by retailers at a raceway facility meeting the qualifications of [section 423.4, subsection 11](#), that remains after the transfers required in paragraphs “a” through “f” of [this subsection 2](#). This paragraph is repealed June 30, 2030, or thirty days following the date on which an amount of total rebates specified in [section 423.4, subsection 11](#), paragraph “c”, subparagraph (3), subparagraph division (b), has been provided or thirty days following the date on which rebates cease as provided in [section 423.4, subsection 11](#), paragraph “c”, subparagraph (4), whichever is earliest.

3. Of the amount of sales tax revenue actually transferred per quarter pursuant to [subsection 2](#), paragraphs “e” and “f”, the department shall retain an amount equal to the actual cost of administering the transfers under [subsection 2](#), paragraphs “e” and “f”, or twenty-five thousand dollars, whichever is less. The amount retained by the department pursuant to [this subsection](#) shall be divided pro rata each quarter between the amounts that would have been transferred pursuant to [subsection 2](#), paragraphs “e” and “f”, without the deduction made by operation of [this subsection](#). Revenues retained by the department pursuant to [this subsection](#) shall be considered repayment receipts as defined in [section 8.2](#).

2018 Acts, ch 1161, §174, 229; 2019 Acts, ch 59, §124; 2019 Acts, ch 166, §8; 2023 Acts, ch 153, §3

Referred to in §15J.4, 15J.5, 15J.6, 225C.7A, 418.11, 418.12, 423.4  
Subsection 2, paragraph g amended

### 423.3 Exemptions.

There is exempted from the provisions of [this subchapter](#) and from the computation of the amount of tax imposed by it the following:

1. The sales price from sales of tangible personal property, specified digital products, and services furnished which this state is prohibited from taxing under the Constitution or laws of the United States or under the Constitution of this state.

2. The sales price of sales for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with the furnishing of taxable services except for the purchase of tangible personal property, the leasing or rental of which is exempted from tax by [subsection 49](#).

3. The sales price of agricultural breeding livestock and domesticated fowl.

3A. The sales price from the sale of a commercial recreation service offering the opportunity to hunt a preserve whitetail as defined in [section 484C.1](#) if the sale occurred between July 1, 2005, and December 31, 2015.

4. The sales price of commercial fertilizer.

5. a. The sales price of agricultural limestone, herbicide, pesticide, insecticide, including adjuvants, surfactants, and other products directly related to the application enhancement of those products, food, medication, or agricultural drain tile, including installation of agricultural drain tile, any of which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market.

b. The following enumerated materials associated with the installation of agricultural drain tile which is exempt pursuant to paragraph “a” shall also be exempt under paragraph “a”:

- (1) Tile intakes.
- (2) Outlet pipes and guards.
- (3) Aluminum and gabion structures.
- (4) Erosion control fabric.
- (5) Water control structures.
- (6) Miscellaneous tile fittings.

6. The sales price of tangible personal property which will be consumed as fuel in creating heat, power, or steam for grain drying, or for providing heat or cooling for livestock buildings or for greenhouses or buildings or parts of buildings dedicated to the production of flowering, ornamental, or vegetable plants intended for sale in the ordinary course of business, or for use in cultivation of agricultural products by aquaculture, or in implements of husbandry engaged in agricultural production.

7. The sales price of services furnished by specialized flying implements of husbandry used for agricultural aerial spraying.

8. a. The sales price exclusive of services of farm machinery and equipment, including auxiliary attachments which improve the performance, safety, operation, or efficiency of the machinery and equipment and replacement parts, if the following conditions are met:

(1) The farm machinery and equipment shall be directly and primarily used in production of agricultural products.

(2) The farm machinery and equipment shall constitute self-propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.

(3) The replacement part is used in any repair or reconstruction necessary to the farm machinery's or equipment's exempt use in the production of agricultural products.

b. Vehicles subject to registration, as defined in [section 423.1](#), or replacement parts for such vehicles, are not eligible for this exemption.

c. For purposes of [this subsection](#), the following items are exempt under paragraph "a" when used in agricultural production:

(1) A snow blower that is to be attached to a self-propelled implement of husbandry.

(2) A rear-mounted or front-mounted blade that is to be attached to or towed by a self-propelled implement of husbandry.

(3) A rotary cutter that is to be attached to a self-propelled implement of husbandry.

d. (1) For purposes of [this subsection](#), the following items are exempt under paragraph "a" when used primarily in agricultural production:

(a) A diesel fuel trailer, regardless of the vehicle to which it is to be attached.

(b) A seed tender, regardless of the vehicle to which it is to be attached.

(c) An all-terrain vehicle.

(d) An off-road utility vehicle.

(2) For purposes of this paragraph:

(a) "All-terrain vehicle" means the same as defined in [section 321I.1](#).

(b) "Fuel trailer" means a trailer that holds dyed diesel fuel or diesel exhaust fluid and that is used to transport such fuel or fluid to a self-propelled implement of husbandry.

(c) "Off-road utility vehicle" means the same as defined in [section 321I.1](#).

(d) "Seed tender" means a trailer that holds seed and that is used to transport seed to an implement of husbandry and load seed into an implement of husbandry.

9. The sales price of wood chips, sawdust, hay, straw, paper, or other materials used for bedding in the production of agricultural livestock or fowl.

10. The sales price of gas, electricity, water, or heat to be used in implements of husbandry engaged in agricultural production.

11. The sales price exclusive of services of farm machinery and equipment, including auxiliary attachments which improve the performance, safety, operation, or efficiency of the machinery and equipment, and including auger systems, curtains and curtain systems, drip systems, fan and fan systems, shutters, inlets and shutter or inlet systems, and refrigerators, and replacement parts, if all of the following conditions are met:

a. The implement, machinery, or equipment is directly and primarily used in livestock or dairy production, aquaculture production, or the production of flowering, ornamental, or vegetable plants.

b. The implement is not a self-propelled implement or implement customarily drawn or attached to self-propelled implements.

c. The replacement part is used in any repair or reconstruction necessary to the farm machinery's or equipment's exempt use in livestock or dairy production, aquaculture production, or the production of flowering, ornamental, or vegetable plants.

12. The sales price, exclusive of services, from sales of irrigation equipment used in farming operations.

13. The sales price from the sale of irrigation equipment, whether installed above or below ground, to a contractor or farmer if the equipment will be primarily used in agricultural operations.

14. The sales price from the sales of horses, commonly known as draft horses, when purchased for use and so used as draft horses.

15. The sales price from the sale of property which is a container, label, carton, pallet, packing case, wrapping, baling wire, twine, bag, bottle, shipping case, or other similar article or receptacle sold for use in agricultural, livestock, or dairy production.

16. The sales price from the sale of feed and feed supplements and additives when used for consumption by farm deer or bison.

16A. a. The sales price from the sale of a grain bin, including material or replacement parts used to construct or repair a grain bin.

b. For purposes of [this subsection](#), “grain bin” means property that is vented and covered with corrugated metal or similar material, and that is primarily used to hold loose grain for drying or storage.

17. The sales price of all tangible personal property, specified digital products, or services, used for educational purposes sold to any private nonprofit educational institution in this state. For the purpose of [this subsection](#), “educational institution” means an institution which primarily functions as a school, college, or university with students, faculty, and an established curriculum. The faculty of an educational institution must be associated with the institution and the curriculum must include basic courses which are offered every year. “Educational institution” includes an institution primarily functioning as a library.

18. The sales price of tangible personal property or specified digital products sold, or of services furnished, to the following nonprofit corporations:

a. Residential care facilities and intermediate care facilities for persons with an intellectual disability and residential care facilities for persons with mental illness licensed by the department of inspections, appeals, and licensing under [chapter 135C](#).

b. Residential facilities licensed by the department of health and human services pursuant to [chapter 237](#), other than those maintained by individuals as defined in [section 237.1, subsection 8](#).

c. Rehabilitation facilities that provide accredited rehabilitation services to persons with disabilities which are accredited by the commission on accreditation of rehabilitation facilities or the council on quality and leadership and adult day care services approved for reimbursement by the department of health and human services.

d. Community mental health centers accredited by the department of health and human services pursuant to [chapter 225C](#).

e. Health centers as defined in 42 U.S.C. §254b.

f. Home and community-based services providers certified to offer Medicaid waiver services by the department of health and human services that are any of the following:

(1) Health and disability waiver service providers, described in [441 IAC 77.30](#).

(2) Hospice providers, described in [441 IAC 77.32](#).

(3) Elderly waiver service providers, described in [441 IAC 77.33](#).

(4) AIDS/HIV waiver service providers, described in [441 IAC 77.34](#).

(5) Federally qualified health centers, described in [441 IAC 77.35](#).

(6) Intellectual disabilities waiver service providers, described in [441 IAC 77.37](#).

(7) Brain injury waiver service providers, described in [441 IAC 77.39](#).

g. Substance use disorder treatment or prevention programs that receive block grant funding from the department of health and human services.

19. The sales price of tangible personal property sold to a nonprofit organization which was organized for the purpose of lending the tangible personal property to the general public for use by them for nonprofit purposes.

20. The sales price of tangible personal property or specified digital products sold, or of services furnished, to nonprofit legal aid organizations.

21. The sales price of tangible personal property, of specified digital products, or of services, used for educational, scientific, historic preservation, or aesthetic purpose sold to a nonprofit private museum.

22. The sales price from sales of tangible personal property, of specified digital products, or from services furnished, to a nonprofit private art center to be used in the operation of the art center.

23. The sales price of tangible personal property or specified digital products sold, or of services furnished, by a fair organized under [chapter 174](#).

24. The sales price from services furnished by the notification center established pursuant to [section 480.3](#), and the vendor selected pursuant to [section 480.3](#) to provide the notification service.

25. The sales price of food and beverages sold for human consumption by a nonprofit organization which principally promotes a food or beverage product for human consumption

produced, grown, or raised in this state and whose income is exempt from federal taxation under section 501(c) of the Internal Revenue Code.

26. The sales price of tangible personal property or specified digital products sold, or of services furnished, to a statewide nonprofit organ procurement organization, as defined in [section 142C.2](#).

26A. a. The sales price of tangible personal property sold or of test laboratory services furnished, if such tangible personal property or test laboratory services are sold or furnished to a nonprofit blood center that is registered by the federal food and drug administration, and the tangible personal property or test laboratory services are directly and primarily used in the processing of human blood.

b. As used in [this subsection](#), “processing” means the same as defined in [subsection 47](#), except that for purposes of the definition of “processing” used in [this subsection](#), a “manufacturer” shall be construed to include a nonprofit blood center.

27. The sales price of tangible personal property or specified digital products sold, or of services furnished, to a nonprofit hospital licensed pursuant to [chapter 135B](#) to be used in the operation of the hospital.

28. The sales price of tangible personal property or specified digital products sold, or of services furnished, to a freestanding nonprofit hospice facility which operates a hospice program as defined in [42 C.F.R. ch. IV, §418.3](#), which property or services are to be used in the hospice program.

29. Reserved.

30. The sales price of livestock ear tags sold by a nonprofit organization whose income is exempt from federal taxation under section 501(c)(6) of the Internal Revenue Code where the proceeds are used in bovine research programs selected or approved by such organization.

31. a. The sales price of tangible personal property or specified digital products sold to and of services furnished to a tribal government, or the sales price of tangible personal property or specified digital products sold to and of services furnished, and used for public purposes sold to a tax-certifying or tax-levying body of the state or a governmental subdivision of the state, including the following: regional transit systems, as defined in [section 324A.1](#); the state board of regents; department of health and human services; state department of transportation; any municipally owned solid waste facility which sells all or part of its processed waste as fuel to a municipally owned public utility; and all divisions, boards, commissions, agencies, or instrumentalities of state, federal, county, municipal, or tribal government which have no earnings going to the benefit of an equity investor or stockholder, except any of the following:

(1) The sales price of tangible personal property or specified digital products sold to, or of services furnished, and used by or in connection with the operation of any municipally owned public utility engaged in selling gas, electricity, heat, pay television service, or communication service to the general public.

(2) The sales price of furnishing of sewage services to a county or municipality on behalf of nonresidential commercial operations.

(3) The furnishing of solid waste collection and disposal service to a county or municipality on behalf of nonresidential commercial operations located within the county or municipality.

b. For the purposes of [this subsection](#), “tribal government” means the governing body of a federally recognized Indian tribe.

32. The sales price of tangible personal property or specified digital products sold, or of services furnished, by a county or city. This exemption does not apply to any of the following:

a. The tax specifically imposed under [section 423.2](#) on the sales price from sales or furnishing of gas, electricity, water, heat, pay television service, or communication service to the public by a municipal corporation in its proprietary capacity.

b. The sale or furnishing of solid waste collection and disposal service to nonresidential commercial operations.

c. The sale or furnishing of sewage service for nonresidential commercial operations.

d. Fees paid to cities and counties for the privilege of participating in any athletic sports.

33. a. The sales price of mementos and other items relating to Iowa history and historic

sites, the general assembly, and the state capitol, sold by the legislative services agency and its legislative information office on the premises of property under the control of the legislative council, at the state capitol, and on other state property.

b. The legislative services agency is not a retailer under [this chapter](#) and the sale of items or provision of services by the legislative services agency is not a retail sale under [this chapter](#) and is exempt from the sales tax.

34. The sales price from sales of mementos and other items relating to Iowa history and historic sites by the department of administrative services on the premises of property under its control and at the state capitol.

35. The sales price from sales or services furnished by the state fair organized under [chapter 173](#).

36. The sales price from sales of tangible personal property or specified digital products or of the sale or furnishing of electrical energy, natural or artificial gas, or communication service to another state or political subdivision of another state if the other state provides a similar reciprocal exemption for this state and political subdivision of this state.

37. The sales price of services on or connected with new construction, reconstruction, alteration, expansion, remodeling, or the services of a general building contractor, architect, or engineer. The exemption in [this subsection](#) also applies to the sales price on the lease or rental of all machinery, equipment, and replacement parts directly and primarily used by owners, contractors, subcontractors, and builders for new construction, reconstruction, alteration, expansion, or remodeling of real property or structures and of all machinery, equipment, and replacement parts which improve the performance, safety, operation, or efficiency of the machinery, equipment, and replacement parts so used.

38. The sales price from the sale of building materials, supplies, or equipment sold to rural water districts organized under [chapter 504](#) as provided in [chapter 357A](#) and used for the construction of facilities of a rural water district.

39. The sales price from “casual sales”.

a. “Casual sales” means:

(1) Sales of tangible personal property or specified digital products, or the furnishing of services, of a nonrecurring nature, by the owner, if the seller, at the time of the sale, is not engaged for profit in the business of selling tangible personal property, specified digital products, or services taxed under [section 423.2](#).

(2) The sale of all or substantially all of the tangible personal property, or specified digital products, or services held or used by a seller in the course of the seller’s trade or business for which the seller is required to hold a sales or use tax permit when the seller sells or otherwise transfers the trade or business to another person who shall engage in a similar trade or business.

(3) Notwithstanding subparagraph (1), the sale, furnishing, or performance of a service that is of a recurring nature by the owner if, at the time of the sale, all of the following apply:

(a) The seller is not engaged for profit in the business of the selling, furnishing, or performance of services taxed under [section 423.2](#). For purposes of this subparagraph, the fact of the recurring nature of selling, furnishing, or performance of services does not constitute by itself engaging for profit in the business of selling, furnishing, or performance of services.

(b) The owner of the business is the only person performing the service.

(c) The owner of the business is a full-time student.

(d) The total gross receipts from the sales, furnishing, or performance of services during the calendar year does not exceed five thousand dollars.

b. The exemption under [this subsection](#) does not apply to vehicles subject to registration, all-terrain vehicles, snowmobiles, off-road motorcycles, off-road utility vehicles, aircraft, or commercial or pleasure watercraft or water vessels.

c. The exemption under [this subsection](#) does not apply to sales for which a person is required pursuant to [section 423.14A](#) to collect sales and use tax.

40. The sales price from the sale of automotive fluids to a retailer to be used either in providing a service which includes the installation or application of the fluids in or on a motor vehicle, which service is subject to [section 423.2, subsection 6](#), or to be installed in or

applied to a motor vehicle which the retailer intends to sell, which sale is subject to section 321.105A. For purposes of [this subsection](#), automotive fluids are all those which are refined, manufactured, or otherwise processed and packaged for sale prior to their installation in or application to a motor vehicle. They include but are not limited to motor oil and other lubricants, hydraulic fluids, brake fluid, transmission fluid, sealants, undercoatings, antifreeze, and gasoline additives.

41. The sales price from the rental of motion picture films, video and audio tapes, video and audio discs, records, photos, copy, scripts, or other media used for the purpose of transmitting that which can be seen, heard, or read, if either of the following conditions are met:

a. The lessee imposes a charge for the viewing of such media and the charge for the viewing is subject to taxation under [this subchapter](#) or is subject to use tax.

b. The lessee broadcasts the contents of such media for public viewing or listening.

42. The sales price from the sale of tangible personal property consisting of advertising material including paper to a person in Iowa if that person or that person's agent will, subsequent to the sale, send that advertising material outside this state and the material is subsequently used solely outside of Iowa. For the purpose of [this subsection](#), "advertising material" means any brochure, catalog, leaflet, flyer, order form, return envelope, or similar item used to promote sales of property or services.

43. The sales price from the sale of property or of services performed on property which the retailer transfers to a carrier for shipment to a point outside of Iowa, places in the United States mail or parcel post directed to a point outside of Iowa, or transports to a point outside of Iowa by means of the retailer's own vehicles, and which is not thereafter returned to a point within Iowa, except solely in the course of interstate commerce or transportation. This exemption shall not apply if the purchaser, consumer, or their agent, other than a carrier, takes physical possession of the property in Iowa.

44. Reserved.

45. The sales price from the sale of property which is a container, label, carton, pallet, packing case, wrapping paper, twine, bag, bottle, shipping case, or other similar article or receptacle sold to retailers or manufacturers for the purpose of packaging or facilitating the transportation of tangible personal property sold at retail or transferred in association with the maintenance or repair of fabric or clothing.

46. The sales price from sales to a printer or publisher of the following: acetate; anti-halation backing; antistatic spray; back lining; base material used as a carrier for light sensitive emulsions; blankets; blow-ups; bronze powder; carbon tissue; codas; color filters; color separations; contacts; continuous tone separations; creative art; custom dies and die cutting materials; dampener sleeves; dampening solution; design and styling; diazo coating; dot etching; dot etching solutions; drawings; drawsheets; driers; duplicate films or prints; electronically digitized images; electrotypes; end product of image modulation; engravings; etch solutions; film; finished art or final art; fix; fixative spray; flats; flying pasters; foils; goldenrod paper; gum; halftones; illustrations; ink; ink paste; keylines; lacquer; laserimg images; layouts; lettering; line negatives and positives; linotypes; lithographic offset plates; magnesium and zinc etchings; masking paper; masks; masters; mats; mat service; metal toner; models and modeling; mylar; negatives; nonoffset spray; opaque film process paper; opaquing; padding compound; paper stock; photographic materials: acids, plastic film, desensitizer emulsion, exposure chemicals, fix, developers, and paper; photography, day rate; photopolymer coating; photographs; photostats; photo-display tape; phototypesetter materials; pH-indicator sticks; positives; press pack; printing cylinders; printing plates, all types; process lettering; proof paper; proofs and proof processes, all types; pumice powder; purchased author alterations; purchased composition; purchased phototypesetting; purchased stripping and pasteups; red litho tape; reducers; roller covering; screen tints; sketches; stepped plates; stereotypes; strip types; substrate; tints; tissue overlays; toners; transparencies; tympan; typesetting; typography; varnishes; veloxes; wood mounts; and any other items used in a like capacity to any of the above enumerated items by the printer or publisher to complete a finished product for sale at retail. Expendable tools and supplies which are not enumerated in [this subsection](#) are excluded from the exemption. "Printer"

means that portion of a person's business engaged in printing that completes a finished product for ultimate sale at retail or means that portion of a person's business used to complete a finished printed packaging material used to package a product for ultimate sale at retail. "Printer" does not mean an in-house printer who prints or copyrights its own materials.

47. a. The sales price from the sale of computers, computer peripherals, machinery, equipment, replacement parts, supplies, and materials used to construct or self-construct computers, computer peripherals, machinery, equipment, replacement parts, and supplies, if such items are any of the following:

(1) Directly and primarily used in processing by a manufacturer.

(2) Directly and primarily used to maintain the integrity of the product or to maintain unique environmental conditions required for either the product or the computers, computer peripherals, machinery, and equipment used in processing by a manufacturer, including test equipment used to control quality and specifications of the product.

(3) Directly and primarily used in research and development of new products or processes of processing.

(4) Directly and primarily used in recycling or reprocessing of waste products.

(5) Pollution-control equipment used by a manufacturer, including but not limited to that required or certified by an agency of this state or of the United States government.

b. The sales price from the sale of fuel used in creating heat, power, steam, or for generating electrical current, or from the sale of electricity, consumed by computers, computer peripherals, machinery, or equipment used in an exempt manner described in paragraph "a", subparagraph (1), (2), (3), (4), or (5).

c. The sales price from the sale of the following shall not be exempt from the tax imposed by [this subchapter](#):

(1) Hand tools.

(2) Point-of-sale equipment, computers, and computer peripherals.

(3) The following within the scope of [section 427A.1, subsection 1](#), paragraphs "h" and "i":

(a) Computers.

(b) Computer peripherals.

(c) Machinery.

(d) Equipment, including pollution control equipment.

(e) Replacement parts.

(f) Supplies.

(g) Materials used to construct or self-construct the following:

(i) Computers.

(ii) Computer peripherals.

(iii) Machinery.

(iv) Equipment, including pollution control equipment.

(v) Replacement parts.

(vi) Supplies.

(4) Vehicles subject to registration, except vehicles subject to registration which are directly and primarily used in recycling or reprocessing of waste products.

d. As used in [this subsection](#):

(1) "Commercial enterprise" means businesses and manufacturers conducted for profit, for-profit and nonprofit insurance companies, and for-profit and nonprofit financial institutions, but excludes other nonprofits and professions and occupations.

(2) "Financial institution" means as defined in [section 527.2](#).

(3) "Insurance company" means an insurer organized or operating under [chapter 508, 514, 515, 518, 518A, 519, or 520](#), or authorized to do business in Iowa as an insurer or an insurance producer under [chapter 522B](#).

(4) (a) "Manufacturer" means a business that primarily purchases, receives, or holds personal property of any description for the purpose of adding to its value by a process of manufacturing with a view to selling the property for gain or profit.

(b) "Manufacturer" includes contract manufacturers. A contract manufacturer is a manufacturer that otherwise falls within the definition of manufacturer, except that a

contract manufacturer does not sell the tangible personal property the contract manufacturer processes on behalf of other manufacturers.

(c) “*Manufacturer*” does not include persons who are not commonly understood as manufacturers, including but not limited to persons primarily engaged in any of the following activities:

- (i) Construction contracting.
  - (ii) Repairing tangible personal property or real property.
  - (iii) Providing health care.
  - (iv) Farming, including cultivating agricultural products and raising livestock.
  - (v) Transporting for hire.
- (d) For purposes of this subparagraph:

(i) “*Business*” means those businesses conducted for profit, but excludes professions and occupations and nonprofit organizations.

(ii) “*Manufacturing*” means those activities commonly understood within the ordinary meaning of the term, and shall include:

- (A) Refining.
- (B) Purifying.
- (C) Combining of different materials.
- (D) Packing of meats.

(E) Activities subsequent to the extractive process of quarrying or mining, such as crushing, washing, sizing, or blending of aggregate materials.

(iii) “*Manufacturing*” does not include activities occurring on premises primarily used to make retail sales.

(5) “*Processing*” means a series of operations in which materials are manufactured, refined, purified, created, combined, or transformed by a manufacturer, ultimately into tangible personal property. Processing encompasses all activities commencing with the receipt or producing of raw materials by the manufacturer and ending at the point products are delivered for shipment or transferred from the manufacturer. Processing includes but is not limited to refinement or purification of materials; treatment of materials to change their form, context, or condition; maintenance of the quality or integrity of materials, components, or products; maintenance of environmental conditions necessary for materials, components, or products; quality control activities; and construction of packaging and shipping devices, placement into shipping containers or any type of shipping devices or medium, and the movement of materials, components, or products until shipment from the processor.

(6) “*Receipt or producing of raw materials*” means activities performed upon tangible personal property only. With respect to raw materials produced from or upon real estate, the receipt or producing of raw materials is deemed to occur immediately following the severance of the raw materials from the real estate.

(7) “*Replacement part*” means tangible personal property other than computers, computer peripherals, machinery, equipment, or supplies, regardless of the cost or useful life of the tangible personal property, that meets all of the following conditions:

(a) The tangible personal property replaces a component of a computer, computer peripheral, machinery, or equipment, which component is capable of being separated from the computer, computer peripheral, machinery, or equipment.

(b) The tangible personal property performs the same or similar function as the component it replaced.

(c) The tangible personal property restores the computer, computer peripheral, machinery, or equipment to an operational condition, or upgrades or improves the efficiency of the computer, computer peripheral, machinery, or equipment.

(8) “*Supplies*” means tangible personal property, other than computers, computer peripherals, machinery, equipment, or replacement parts, that meets one of the following conditions:

(a) The tangible personal property is to be connected to a computer, computer peripheral, machinery, or equipment and requires regular replacement because the property is consumed or deteriorates during use, including but not limited to saw blades, drill bits, filters, and other similar items with a short useful life.

(b) The tangible personal property is used in conjunction with a computer, computer peripheral, machinery, or equipment and is specially designed for use in manufacturing specific products and may be used interchangeably and intermittently on a particular computer, computer peripheral, machine, or piece of equipment, including but not limited to jigs, dies, tools, and other similar items.

(c) The tangible personal property comes into physical contact with other tangible personal property used in processing and is used to assist with or maintain conditions necessary for processing, including but not limited to cutting fluids, oils, coolants, lubricants, and other similar items with a short useful life.

(d) The tangible personal property is directly and primarily used in an activity described in paragraph “a”, subparagraphs (1) through (5), including but not limited to prototype materials and testing materials.

47A. a. The sales price from the sale of central office equipment or transmission equipment primarily used by local exchange carriers and competitive local exchange service providers; by franchised cable television operators, mutual companies, municipal utilities, cooperatives, and companies furnishing communications services that are not subject to rate regulation as provided in [chapter 476](#); by long distance companies as defined in [section 477.10](#); or for a commercial mobile radio service as defined in [47 C.F.R. §20.3](#) in the furnishing of telecommunications services on a commercial basis.

b. For the purposes of [this subsection](#):

(1) “*Central office equipment*” means equipment utilized in the initiating, processing, amplifying, switching, or monitoring of telecommunications services. “*Central office equipment*” also includes ancillary equipment and apparatus which support, regulate, control, repair, test, or enable such equipment to accomplish its function.

(2) “*Competitive local exchange service provider*” means any person, including a municipal utility, that provides local exchange services, other than a local exchange carrier or a non-rate-regulated wireline provider of local exchange services under an authorized certificate of public convenience and necessity within a specific geographic area described in maps filed with and approved by the Iowa utilities board as of September 30, 1992.

(3) “*Local exchange carrier*” means any person that was the incumbent and historical rate-regulated wireline provider of local exchange services or any successor to such person that provides local exchange services under an authorized certificate of public convenience and necessity within a specific geographic area described in maps filed with and approved by the Iowa utilities board as of September 30, 1992.

(4) “*Transmission equipment*” means equipment utilized in the process of sending information from one location to another location. “*Transmission equipment*” also includes ancillary equipment and apparatus which support, regulate, control, repair, test, or enable such equipment to accomplish its function.

48. The sales price from the furnishing of the design and installation of new industrial machinery or equipment, including electrical and electronic installation.

49. a. The sales price from the sale of carbon dioxide in a liquid, solid, or gaseous form, electricity, steam, and other taxable services and the lease or rental of tangible personal property when used by a manufacturer to primarily produce food or food ingredients, including but not limited to treatment of material to change its form, context, or condition, in order to produce the food or food ingredients, maintenance of quality or integrity of the food or food ingredients, changing or maintenance of temperature levels necessary to avoid spoilage or to hold the food or food ingredients in marketable condition, maintenance of environmental conditions necessary for the safe or efficient use of machinery and material used to produce the food or food ingredients, sanitation and quality control activities, formation of packaging, placement into shipping containers, and movement of the material or food or food ingredients until shipment from the building of manufacture.

b. For purposes of [this subsection](#), “*food or food ingredients*” means the same as “*food and food ingredients*” as defined in [subsection 57](#), paragraph “d”, and includes tangible personal property that could be sold for ingestion or chewing by humans but is sold for another use.

50. The sales price of sales of electricity, steam, or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at

retail or of any fuel which is consumed in creating power, heat, or steam for processing or for generating electric current.

51. The sales price of tangible personal property sold for processing. Tangible personal property is sold for processing within the meaning of [this subsection](#) only when it is intended that the property will, by means of fabrication, compounding, manufacturing, or germination, become an integral part of other tangible personal property intended to be sold ultimately at retail; or for generating electric current; or the property is a chemical, solvent, sorbent, or reagent, which is directly used and is consumed, dissipated, or depleted, in processing tangible personal property which is intended to be sold ultimately at retail or consumed in the maintenance or repair of fabric or clothing, and which may not become a component or integral part of the finished product. The distribution to the public of free newspapers or shoppers guides is a retail sale for purposes of the processing exemption set out in [this subsection](#) and in [subsection 50](#).

52. The sales price from the sale of argon and other similar gases to be used in the manufacturing process.

53. The sales price from the sale of electricity to water companies assessed for property tax pursuant to [sections 428.24, 428.26, and 428.28](#) which is used solely for the purpose of pumping water from a river or well.

54. *a.* The sales price from the sale of wind energy conversion property or hydroelectricity conversion property to be used as an electric power source and the sale of the materials used to manufacture, install, or construct wind energy conversion property or hydroelectricity conversion property used or to be used as an electric power source.

*b.* For purposes of [this subsection](#):

(1) “*Wind energy conversion property*” means any device, including but not limited to a wind charger, windmill, wind turbine, tower and electrical equipment, pad mount transformers, power lines, and substation, which converts wind energy to a form of usable energy.

(2) “*Hydroelectricity conversion property*” means any device, including but not limited to a generator, turbine, powerhouse, intake, coffer dam, walls, water conduit, tailrace, any other concrete components, electrical equipment substation, poles, wires, transformers, breakers, and switches used to convert water, water power, or hydroelectricity to a form of usable energy.

55. The sales price from the sales of newspapers, free newspapers, or shoppers guides and the printing and publishing of such newspapers and shoppers guides, and envelopes for advertising.

56. The sales price from the sale of motor fuel, special fuel, and electric fuel consumed for highway use or in watercraft or aircraft where the fuel tax has been imposed and paid and no refund has been or will be allowed and the sales price from the sales of ethanol blended gasoline, as defined in [section 214A.1](#).

57. The sales price from all sales of food and food ingredients. However, as used in [this subsection](#), a sale of “*food and food ingredients*” does not include a sale of alcoholic beverages, candy, or dietary supplements; food sold through vending machines; or sales of prepared food, soft drinks, or tobacco. For the purposes of [this subsection](#):

*a.* “*Alcoholic beverages*” means beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume.

*b.* “*Candy*” means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces. Candy shall not include any preparation containing flour and shall require no refrigeration.

*c.* “*Dietary supplement*” means any product, other than tobacco, intended to supplement the diet that meets all of the following criteria:

(1) The product contains one or more of the following dietary ingredients:

- (a) A vitamin.
- (b) A mineral.
- (c) An herb or other botanical.
- (d) An amino acid.

(e) A dietary substance for use by humans to supplement the diet by increasing the total dietary intake.

(f) A concentrate, metabolite, constituent, extract, or combination of any of the ingredients in subparagraph divisions (a) through (e).

(2) The product is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such a form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet.

(3) The product is required to be labeled as a dietary supplement, identifiable by the “supplement facts” box found on the label and as required pursuant to [21 C.F.R. §101.36](#).

d. “*Food and food ingredients*” means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. “*Food and food ingredients*” includes beverage-grade carbon dioxide gas.

e. “*Food sold through vending machines*” means food dispensed from a machine or other mechanical device that accepts payment, other than food which would be qualified for exemption under [subsection 58](#) if purchased with a coupon described in [subsection 58](#).

f. “*Prepared food*” means any of following:

(1) Food sold in a heated state or heated by the seller, including food sold by a caterer.

(2) Two or more food ingredients mixed or combined by the seller for sale as a single item.

(3) “*Prepared food*”, for the purposes of this paragraph, does not include food that is any of the following:

(a) Only cut, repackaged, or pasteurized by the seller.

(b) Eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the United States food and drug administration, ch. 3, part 401.11 of its food code, so as to prevent foodborne illnesses.

(c) Bakery items sold by the seller which baked them. The words “*bakery items*” includes but is not limited to breads, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas.

(d) Food sold without eating utensils provided by the seller in an unheated state as a single item which is priced by weight or volume.

(e) Food sold that ordinarily requires additional cooking by the consumer prior to consumption.

(4) Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport food.

g. “*Soft drinks*” means nonalcoholic beverages that contain natural or artificial sweeteners. “*Soft drinks*” does not include beverages that contain milk or milk products; soy, rice, or similar milk substitutes; or greater than fifty percent of vegetable or fruit juice by volume.

h. “*Tobacco*” means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco.

58. The sales price from the sale of items purchased with a supplemental nutrition assistance program benefit transfer instrument as defined in [section 234.13](#), or other method of payment authorized by the United States department of agriculture, and issued under the federal Food Stamp Act of 1977, 7 U.S.C. §2011 et seq. or under the federal supplemental nutritional assistance program established in 7 U.S.C. §2013.

59. In transactions in which tangible personal property is traded toward the sales price of other tangible personal property, that portion of the sales price which is not payable in money to the retailer is exempted from the taxable amount if the following conditions are met:

a. The tangible personal property traded to the retailer is the type of property normally sold in the regular course of the retailer’s business.

b. The tangible personal property traded to the retailer is intended by the retailer to be ultimately sold at retail or is intended to be used by the retailer or another in the remanufacturing of a like item.

60. The sales price from the sale of prescription drugs, durable medical equipment,

mobility enhancing equipment, prosthetic devices, and other medical devices intended for human use or consumption. For the purposes of [this subsection](#):

a. “Drug” means a compound, substance, or preparation, and any component of a compound, substance, or preparation, other than food and food ingredients, dietary supplements, or alcoholic beverages, which is any of the following:

(1) Recognized in the official United States pharmacopoeia, official homeopathic pharmacopoeia of the United States, or official national formulary, and supplement to any of them.

(2) Intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease.

(3) Intended to affect the structure or any function of the body.

b. “Durable medical equipment” means equipment, including repair and replacement parts, and all components or attachments, but does not include mobility enhancing equipment, to which all of the following apply:

(1) Can withstand repeated use.

(2) Is primarily and customarily used to serve a medical purpose.

(3) Generally is not useful to a person in the absence of illness or injury.

(4) Is not worn in or on the body.

(5) Is for home use only.

(6) Is prescribed by a practitioner.

c. “Mobility enhancing equipment” means equipment, including repair and replacement parts, but does not include durable medical equipment, to which all of the following apply:

(1) Is primarily and customarily used to provide or increase the ability to move from one place to another and which is appropriate for use either in a home or a motor vehicle.

(2) Is not generally used by persons with normal mobility.

(3) Does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

(4) Is prescribed by a practitioner.

d. “Other medical device” means equipment or a supply that is not a drug, durable medical equipment, mobility enhancing equipment, or prosthetic device. “Other medical devices” includes but is not limited to ostomy, urological, and tracheostomy supplies, diabetic testing materials, hypodermic syringes and needles, anesthesia trays, biopsy trays and biopsy needles, cannula systems, catheter trays and invasive catheters, fistula sets, irrigation solutions, intravenous administering solutions and stopcocks, myelogram trays, small vein infusion kits, spinal puncture trays, and venous blood sets intended to be dispensed for human use with or without a prescription to an ultimate user.

e. “Practitioner” means a practitioner as defined in [section 155A.3](#), or a person licensed to prescribe drugs.

f. “Prescription” means an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a practitioner.

g. “Prescription drug” means a drug intended to be dispensed to an ultimate user pursuant to a prescription drug order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner, or oxygen or insulin dispensed for human consumption with or without a prescription drug order or medication order.

h. (1) “Prosthetic device” means a replacement, corrective, or supportive device including repair and replacement parts for the same worn on or in the body to do any of the following:

(a) Artificially replace a missing portion of the body.

(b) Prevent or correct physical deformity or malfunction.

(c) Support a weak or deformed portion of the body.

(2) “Prosthetic device” includes but is not limited to orthopedic or orthotic devices, ostomy equipment, urological equipment, tracheostomy equipment, and intraocular lenses.

i. “Ultimate user” means an individual who has lawfully obtained and possesses a prescription drug or medical device for the individual’s own use or for the use of a member of the individual’s household, or an individual to whom a prescription drug or medical device has been lawfully supplied, administered, dispensed, or prescribed.

61. The sales price from services furnished by aerial commercial and charter transportation services.

62. The sales price from the sale of raffle tickets for a raffle licensed and conducted at a fair pursuant to section 99B.24.

63. The sales price from the sale of tangible personal property, specified digital products, or services which will be given as prizes to players in games of skill, games of chance, raffles, and bingo games as defined in chapter 99B.

64. The sales price from the sale of a modular home, as defined in section 435.1, to the extent of the portion of the purchase price of the modular home which is not attributable to the cost of the tangible personal property used in the processing of the modular home. For purposes of this exemption, the portion of the purchase price which is not attributable to the cost of the tangible personal property used in the processing of the modular home is forty percent.

65. Reserved.

66. Reserved.

67. Reserved.

68. a. The sales price from the sale of an article of clothing designed to be worn on or about the human body if all of the following apply:

(1) The sales price of the article is less than one hundred dollars.

(2) The sale takes place during a period beginning at 12:01 a.m. on the first Friday in August and ending at midnight on the following Saturday.

b. [This subsection](#) does not apply to any of the following:

(1) Sport or recreational equipment and protective equipment.

(2) Clothing accessories or equipment.

(3) The rental of clothing.

c. For purposes of [this subsection](#):

(1) “*Clothing*” means all human wearing apparel suitable for general use.

(a) “*Clothing*” includes but is not limited to the following: aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders; boots; coats and jackets; costumes; earmuffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties; overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoelaces; slippers; sneakers; socks and stockings; steel-toed shoes; underwear; uniforms, athletic and nonathletic; and wedding apparel.

(b) “*Clothing*” does not include the following: belt buckles sold separately; costume masks sold separately; patches and emblems sold separately; sewing equipment and supplies (including but not limited to knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles); and sewing materials that become part of clothing (including but not limited to buttons, fabric, lace, thread, yarn, and zippers).

(2) “*Clothing accessories or equipment*” means incidental items worn on the person or in conjunction with clothing. “*Clothing accessories or equipment*” includes but is not limited to the following: briefcases; cosmetics; hair notions (including but not limited to barrettes, hair bows, and hair nets); handbags; handkerchiefs; jewelry; sunglasses, nonprescription; umbrellas; wallets; watches; and wigs and hairpieces.

(3) “*Protective equipment*” means items for human wear and designed as protection for the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use. “*Protective equipment*” includes but is not limited to the following: breathing masks; clean room apparel and equipment; ear and hearing protectors; face shields; hard hats; helmets; paint or dust respirators; protective gloves; safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.

(4) “*Sport or recreational equipment*” means items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use. “*Sport or recreational equipment*” includes but is not limited to the following: ballet and tap shoes; cleated or spiked athletic shoes; gloves (including but not limited to baseball, bowling, boxing, hockey, and golf); goggles; hand and elbow guards; life preservers and vests; mouth guards; roller and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins.

69. The sales price from charges paid for the delivery of electricity or natural gas if the

sale or furnishing of the electricity or natural gas or its use is exempt from the tax on sales prices imposed under [this subchapter](#) or from the use tax imposed under [subchapter III](#).

69A. The sales price from surcharges paid for 911 service and wireless 911 service pursuant to [chapter 34A](#).

70. The sales price of delivery charges. This exemption does not apply to the delivery of electric energy or natural gas.

71. The sales price from sales of tangible personal property used or to be used as railroad rolling stock for transporting persons or property, or as materials or parts therefor.

72. The sales price from the sales of special fuel for diesel engines consumed or used in the operation of ships, barges, or waterborne vessels which are used primarily in or for the transportation of property or cargo, or the conveyance of persons for hire on rivers bordering on the state if the fuel is delivered by the seller to the purchaser's barge, ship, or waterborne vessel while it is afloat upon such a river.

73. The sales price from sales of vehicles subject to registration or subject only to the issuance of a certificate of title and sales of aircraft subject to registration under [section 328.20](#).

74. The sales price from the sale of aircraft for use in a scheduled interstate federal aviation administration certificated air carrier operation.

75. Reserved.

76. The sales price from the sale of tangible personal property permanently affixed or attached as a component part of the aircraft, including but not limited to repair or replacement materials or parts; and the sales price of all services used for aircraft repair, remodeling, and maintenance services when such services are performed on aircraft, aircraft engines, or aircraft component materials or parts. For the purposes of this exemption, "aircraft" means the same as defined in [section 328.1](#).

77. a. The sales price from the sale of aircraft to an aircraft dealer who in turn rents or leases the aircraft if all of the following apply:

(1) The aircraft is kept in the inventory of the dealer for sale at all times.

(2) The dealer reserves the right to immediately take the aircraft from the renter or lessee when a buyer is found.

(3) The renter or lessee is aware that the dealer will immediately take the aircraft when a buyer is found.

b. If an aircraft exempt under [this subsection](#) is used for any purpose other than leasing or renting, or the conditions in paragraph "a", subparagraphs (1), (2), and (3), are not continuously met, the dealer claiming the exemption under [this subsection](#) is liable for the tax that would have been due except for [this subsection](#). The tax shall be computed upon the original purchase price.

78. a. The sales price from the sale of tangible personal property, specified digital products, or services rendered by any entity where the profits from the sale of the tangible personal property, specified digital products, or services rendered, are used by or donated to a nonprofit entity that is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code, a government entity, or a nonprofit private educational institution, and where the entire profits are expended for any of the following purposes:

(1) Educational.

(2) Religious.

(3) Charitable. A charitable act is an act done out of goodwill, benevolence, and a desire to add to or to improve the good of humankind in general or any class or portion of humankind, with no pecuniary profit inuring to the person performing the service or giving the gift.

b. For purposes of this exemption, an organization that meets the requirements of paragraph "a" and which is created for the sole or primary purpose of providing athletic activities to youth shall be considered created for an educational purpose.

c. Except as otherwise provided in [subsection 97](#), this exemption does not apply to the sales price from games of skill, games of chance, raffles, and bingo games as defined in [chapter 99B](#). This exemption is disallowed on the amount of the sales price only to the extent the profits are not used by or donated to the appropriate entity and expended for educational, religious, or charitable purposes.

79. The sales price from the sale of tangible personal property or specified digital products, or from services furnished, to a recognized community action agency as provided in [section 216A.93](#) to be used for the purposes of the agency.

80. a. For purposes of [this subsection](#), “*designated exempt entity*” means any of the following:

(1) An entity which is designated in [section 423.4, subsection 1 or 6](#).

(2) An entity which is an instrumentality of a county or municipal government, including an agent of such entity, if the entity was created for the purpose of owning, including pursuant to a lease-purchase agreement, real property located within a reinvestment district established under [chapter 15J](#).

b. Subject to the limitations in paragraph “c”, if a contractor, subcontractor, or builder is to use building materials, supplies, equipment, or services in the performance of a written construction contract with a designated exempt entity, the person shall purchase such items of tangible personal property or services without liability for the tax if such property or services will be used in the performance of the written construction contract and a purchasing agent authorization letter and an exemption certificate, issued by the designated exempt entity, are presented to the retailer.

c. (1) With regard to a written construction contract with a designated exempt entity described in paragraph “a”, subparagraph (1), the sales price of building materials, supplies, equipment, or services is exempt from tax by [this subsection](#) only to the extent the building materials, supplies, equipment, or services are completely consumed in the performance of the construction contract with the designated exempt entity, and only if the property that is the subject of the construction project becomes public property or the property of the designated exempt entity.

(2) With regard to a written construction contract with a designated exempt entity described in paragraph “a”, subparagraph (2), the sales price of building materials, supplies, equipment, or services is exempt from tax by [this subsection](#) only to the extent the building materials, supplies, equipment, or services are completely consumed in the performance of a construction contract to construct a project, as defined in [section 15J.2, subsection 10](#), which project has been approved by the economic development authority board in accordance with [chapter 15J](#).

d. Subject to the limitations in paragraph “c”, where the owner, contractor, subcontractor, or builder is also a retailer holding a sales or use tax permit and transacting retail sales of building materials, supplies, and equipment, the tax shall not be due when materials are withdrawn from inventory for use in construction performed for a designated exempt entity if an exemption certificate is received from such entity.

e. Subject to the limitations in paragraph “c”, tax shall not apply to tangible personal property purchased and consumed by a manufacturer as building materials, supplies, or equipment in the performance of a construction contract for a designated exempt entity, if a purchasing agent authorization letter and an exemption certificate are received from such entity and presented to a retailer.

81. The sales price from the sales of lottery tickets or shares pursuant to [chapter 99G](#).

82. a. The sales price from the sale of core-making, mold-making, and sand-handling machinery and equipment, including replacement parts, directly and primarily used in the mold-making process by a foundry.

b. The sales price from the sale of fuel used in creating heat, power, steam, or for generating electric current, or from the sale of electricity, consumed by core-making, mold-making, and sand-handling machinery and equipment used directly and primarily in the mold-making process by a foundry.

c. The sales price from the furnishing of the design and installation, including electrical and electronic installation, of core-making, mold-making, and sand-handling machinery and equipment used directly and primarily in the mold-making process by a foundry.

83. The sales price from noncustomer point of sale or noncustomer automated teller machine access or service charges assessed by a financial institution. For purposes of [this subsection](#), “*financial institution*” means the same as defined in [section 527.2](#).

84. a. Subject to paragraph “b”, the sales price from the sale or furnishing of metered

gas, electricity, and fuel, including propane and heating oil, to residential customers which is used to provide energy for residential dwellings and units of apartment and condominium complexes used for human occupancy.

b. The exemption in [this subsection](#) shall be phased in by means of a reduction in the tax rate as follows:

(1) If the date of the utility billing or meter reading cycle of the residential customer for the sale or furnishing of metered gas and electricity is on or after January 1, 2004, through December 31, 2004, or if the sale or furnishing of fuel for purposes of residential energy and the delivery of the fuel occurs on or after January 1, 2004, through December 31, 2004, the rate of tax is two percent of the sales price.

(2) If the date of the utility billing or meter reading cycle of the residential customer for the sale or furnishing of metered gas and electricity is on or after January 1, 2005, through December 31, 2005, or if the sale or furnishing of fuel for purposes of residential energy and the delivery of the fuel occurs on or after January 1, 2005, through December 31, 2005, the rate of tax is one percent of the sales price.

(3) If the date of the utility billing or meter reading cycle of the residential customer for the sale or furnishing of metered gas and electricity is on or after January 1, 2006, or if the sale, furnishing, or service of fuel for purposes of residential energy and the delivery of the fuel occurs on or after January 1, 2006, the rate of tax is zero percent of the sales price.

c. The exemption in [this subsection](#) does not apply to local option sales and services tax imposed pursuant to [chapter 423B](#) and [chapter 423E](#), Code 2023.

85. The sales price from the sale of the following items: self-propelled building equipment, pile drivers, motorized scaffolding, or attachments customarily drawn or attached to self-propelled building equipment, pile drivers, and motorized scaffolding, including auxiliary attachments which improve the performance, safety, operation, or efficiency of the equipment, and replacement parts and are directly and primarily used by contractors, subcontractors, and builders for new construction, reconstruction, alterations, expansion, or remodeling of real property or structures.

86. a. The sales price from services performed on a vessel if all of the following apply:

(1) The vessel is a licensed vessel under the laws of the United States coast guard.

(2) The service is used to repair or restore a defect in the vessel.

(3) The vessel is engaged in interstate commerce and will continue in interstate commerce once the repairs or restoration is completed.

(4) The vessel is in navigable water that borders a boundary of this state.

b. For purposes of this exemption, “vessel” includes a ship, barge, or other waterborne vessel.

87. The sales price from the sales of toys to a nonprofit organization exempt from federal income tax under section 501 of the Internal Revenue Code that purchases the toys from donations collected by the nonprofit organization and distributes the toys to children at no cost.

88. The sales price from the sale of building materials, supplies, or tangible personal property sold to a nonprofit Iowa affiliate of a nonprofit international organization whose primary activity is the promotion of the construction, remodeling, or rehabilitation of one-family or two-family dwellings for use by low-income families and where the building materials, supplies, or tangible personal property are used in the construction, remodeling, or rehabilitation of such dwellings.

89. a. The sales price of all tangible personal property sold, or of services furnished, which are used in the fulfillment of a written construction contract for the original construction of a building or structure to be used as a collaborative educational facility.

b. The sales price of all tangible personal property sold, or of services furnished, which are used in the fulfillment of a written construction contract for the construction of additions or modifications to a building or structure used as part of a collaborative educational facility.

c. To receive the exemption provided in paragraph “a” or “b”, a collaborative educational facility must meet all of the criteria in paragraph “d” or “e”:

d. (1) The contract for construction of the building or structure is entered into on or after April 1, 2003.

(2) The building or structure is located within the corporate limits of a city in the state with a population in excess of one hundred ninety-five thousand residents.

(3) The sole purpose of the building or structure is to provide facilities for a collaborative of public and private educational institutions that provide education to students.

(4) The owner of the building or structure is a nonprofit corporation governed by [chapter 504](#) or former chapter 504A which is exempt from federal income tax pursuant to section 501(a) of the Internal Revenue Code.

e. (1) The contract for construction of the building or structure is entered into on or after May 15, 2007.

(2) The sole purpose of the building or structure is to provide facilities for a regional academy under a collaborative of public and private educational institutions that includes a community college established under [chapter 260C](#) that provide education to students.

(3) The owner of the building or structure is a qualified charitable nonprofit corporation governed by [chapter 504](#) or former chapter 504A which is exempt from federal income tax pursuant to section 501(c)(3) of the Internal Revenue Code.

f. References to “building” or “structure” in paragraphs “d” and “e” include any additions or modifications to the building or structure.

90. The sales price from the sale of solar energy equipment. For purposes of [this subsection](#), “solar energy equipment” means equipment that is primarily used to collect and convert incident solar radiation into thermal, mechanical, or electrical energy or equipment that is primarily used to transform such converted solar energy to a storage point or to a point of use.

91. a. The sales price from the sale of coins, currency, or bullion.

b. For purposes of [this subsection](#):

(1) “Bullion” means bars, ingots, or commemorative medallions of gold, silver, platinum, palladium, or a combination of these where the value of the metal depends on its content and not the form.

(2) “Coins” or “currency” means a coin or currency made of gold, silver, or other metal or paper which is or has been used as legal tender.

92. a. (1) The sales price from the sale of computers and equipment that are necessary for the maintenance and operation of a web search portal and property whether directly or indirectly connected to the computers, including but not limited to cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of the web search portal, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the web search portal.

(2) The sales price of backup power generation fuel, that is purchased by a web search portal business for use in the items listed in subparagraph (1).

(3) The sales price of electricity purchased for use in providing a web search portal.

b. For the purpose of claiming this exemption, all of the following requirements shall be met:

(1) The business of the purchaser shall be as a provider of a web search portal.

(2) The web search portal business shall have a physical location in the state that is used for the operations and maintenance of the web search portal site on the internet including but not limited to research and development to support capabilities to organize information and to provide internet access, navigation, and search.

(3) The web search portal business shall make a minimum investment in an Iowa physical location of two hundred million dollars within the first six years of operation in Iowa beginning with the date the web search portal business initiates site preparation activities. The minimum investment includes the initial investment, including land and subsequent acquisition of additional adjacent land and subsequent investment at the Iowa location.

(4) The web search portal business shall purchase, option, or lease Iowa land not later than December 31, 2008, for any initial investment. However, the December 31, 2008, date

shall not affect the future purchases of adjacent land and additional investment in the initial or adjacent land to qualify as part of the minimum investment for purposes of this exemption.

c. This exemption applies from the date of the initial investment in or the initiation of site preparation activities for the web search portal facility as described in paragraph “b”. For purposes of claiming this exemption, the requirements may be met by aggregating the various Iowa investments and other requirements of the web search portal business’s affiliates. This exemption applies to affiliates of the web search portal business.

d. Failure to meet eighty percent of the minimum investment amount requirement specified in paragraph “b” within the first six years of operation from the date the web search portal business initiates site preparation activities will result in the web search portal business losing the right to claim this exemption and the web search portal business shall pay all sales or use tax that would have been due on the purchase or use of the items listed in this exemption, plus any applicable penalty and interest imposed by statute.

e. For purposes of [this subsection](#):

(1) “*Affiliate*” means an entity that directly or indirectly controls, is controlled with or by, or is under common control with another entity.

(2) “*Control*” means any of the following:

(a) In the case of a United States corporation, the ownership, directly or indirectly, of fifty percent or more of the voting power to elect directors.

(b) In the case of a foreign corporation, if the voting power to elect the directors is less than fifty percent, the maximum amount allowed by applicable law.

(c) In the case of an entity other than a corporation, fifty percent or more ownership interest in the entity, or the power to direct the management of the entity.

(3) “*Web search portal business*” means an entity among whose primary businesses is to provide a search portal to organize information; to access, search, and navigate the internet, including research and development to support capabilities to organize information; and to provide internet access, navigation, and search functionalities.

93. a. (1) The sales price from the sale of computers and equipment that are necessary for the maintenance and operation of a web search portal business and property whether directly or indirectly connected to the computers, including but not limited to cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of the web search portal business, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the web search portal business.

(2) The sales price of backup power generation fuel, that is purchased by a web search portal business for use in the items listed in subparagraph (1).

(3) The sales price of electricity purchased for use by a web search portal business.

b. For the purpose of claiming this exemption, all of the following requirements shall be met:

(1) The purchaser shall be a web search portal business.

(2) The web search portal business shall have a physical location in the state that is used for the operations and maintenance of the web search portal business.

(3) The web search portal business shall make a minimum investment in an Iowa physical location of two hundred million dollars within the first six years of operation in Iowa beginning with the date the web search portal business initiates site preparation activities. The minimum investment includes the initial investment, including land and subsequent acquisition of additional adjacent land and subsequent investment at the Iowa location.

(4) The web search portal business shall purchase, option, or lease Iowa land not later than December 31, 2008, for any initial investment. However, the December 31, 2008, date shall not affect the future purchases of adjacent land and additional investment in the initial or adjacent land to qualify as part of the minimum investment for purposes of this exemption.

c. This exemption applies from the date of the initial investment in or the initiation of site preparation activities for the web search portal facility as described in paragraph “b”. For purposes of claiming this exemption, the requirements may be met by aggregating the various

Iowa investments and other requirements of the web search portal business's affiliates. This exemption applies to affiliates of the web search portal business.

d. Failure to meet eighty percent of the minimum investment amount requirement specified in paragraph "b" within the first six years of operation from the date the web search portal business initiates site preparation activities will result in the web search portal business losing the right to claim this web search portal business exemption and the web search portal business shall pay all sales or use tax that would have been due on the purchase or use of the items listed in this exemption, plus any applicable penalty and interest imposed by statute.

e. For purposes of [this subsection](#):

(1) "Affiliate" means an entity that directly or indirectly controls, is controlled with or by, or is under common control with another entity.

(2) "Control" means any of the following:

(a) In the case of a United States corporation, the ownership, directly or indirectly, of fifty percent or more of the voting power to elect directors.

(b) In the case of a foreign corporation, if the voting power to elect the directors is less than fifty percent, the maximum amount allowed by applicable law.

(c) In the case of an entity other than a corporation, fifty percent or more ownership interest in the entity, or the power to direct the management of the entity.

(3) "Web search portal business" means an entity whose business among other businesses is to provide a search portal to organize information; to access, search, and navigate the internet, including research and development to support capabilities to organize information; or to provide internet access, navigation, or search functionalities.

94. Water use permit fees paid pursuant to [section 455B.265](#).

95. a. (1) The sales price from the sale of computers and equipment that are necessary for the maintenance and operation of a data center business and property whether directly or indirectly connected to the computers, including but not limited to cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of the data center business, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the data center business.

(2) The sales price of backup power generation fuel that is purchased by a data center business for use in the items listed in subparagraph (1).

(3) The sales price of electricity purchased for use by a data center business.

b. For the purpose of claiming this exemption, all of the following requirements shall be met:

(1) The purchaser shall be a data center business.

(2) The data center business shall have a physical location in the state that is, in the aggregate, at least five thousand square feet in size that is used for the operations and maintenance of the data center business.

(3) The data center business shall make a minimum investment in an Iowa physical location of two hundred million dollars within the first six years of operation in Iowa beginning with the date the data center business initiates site preparation activities. The minimum investment includes the initial investment, including land and subsequent acquisition of additional adjacent land and subsequent investment at the Iowa location.

(4) The data center business shall comply with the sustainable design and construction standards established by the state building code commissioner pursuant to [section 103A.8B](#).

c. This exemption applies from the date of the initial investment in or the initiation of site preparation activities for the data center business facility as described in paragraph "b".

d. Failure to meet eighty percent of the minimum investment amount requirement specified in paragraph "b" within the first six years of operation from the date the data center business initiates site preparation activities will result in the data center business losing the right to claim this data center business exemption and the data center business shall pay all sales or use tax that would have been due on the purchase or use of the items listed in this exemption, plus any applicable penalty and interest imposed by statute.

e. For purposes of [this subsection](#):

(1) “*Data center*” means a building rehabilitated or constructed to house a group of networked server computers in one physical location in order to centralize the storage, management, and dissemination of data and information pertaining to a particular business, taxonomy, or body of knowledge. A data center business’s facility typically includes the mechanical and electrical systems, redundant or backup power supplies, redundant data communications connections, environmental controls, and fire suppression systems. A data center business’s facility also includes a restricted access area employing advanced physical security measures such as video surveillance systems and card-based security or biometric security access systems.

(2) “*Data center business*” means an entity whose business among other businesses, is to operate a data center.

96. The sale price of fees charged for the release of medical records as described in [section 622.10](#).

97. The sales price from raffles, as raffle is defined in [section 99B.1](#), if the raffle provides for educational scholarships and is conducted by a qualified organization representing veterans as defined in [section 99B.27](#).

98. The sales price from the sale of water, electricity, chemicals, solvents, sorbents, or reagents to a retailer to be used in providing a service that includes a vehicle wash and wax, which vehicle wash and wax service is subject to [section 423.2, subsection 6](#).

99. a. The sales price from the sale of chemicals, solvents, sorbents, reagents, or other tangible personal property used in providing a vehicle repair service subject to [section 423.2, subsection 6](#), if all of the following conditions are met:

(1) The chemicals, solvents, sorbents, reagents, or other tangible personal property are directly and primarily used in providing the vehicle repair service.

(2) The chemicals, solvents, sorbents, reagents, or other tangible personal property are consumed or dissipated in providing the vehicle repair service.

(3) The chemicals, solvents, sorbents, reagents, or other tangible personal property will come into physical contact with the vehicle upon which the vehicle repair service is performed.

b. The exemption under [this subsection](#) does not apply to tangible personal property that can be used to provide multiple vehicle repair services, including but not limited to machinery, tools, and equipment.

100. The sales price from services furnished by forestry consultants and forestry vendors engaged in forestry practices on private or public land.

101. The sales price for the use of a self-pay washer or dryer.

102. The sales price from the furnishing of environmental testing services performed at a laboratory, in the field, or by a mobile testing service. For purposes of this subsection, “*environmental testing*” means the physical or chemical analysis of soil, water, wastewater, air, or solid waste performed in order to ascertain the presence of environmental contamination or degradation.

103. a. The sales price from the sale or furnishing by a water utility of a water service in the state to consumers or users.

b. For purposes of [this subsection](#):

(1) “*Water service*” means the delivery of water by piped distribution system.

(2) “*Water utility*” means a public utility as defined in [section 476.1](#) that furnishes water by piped distribution system to the public for compensation.

104. a. The sales price of specified digital products and of prewritten computer software sold, and of enumerated services described in [section 423.2, subsection 1](#), paragraph “a”, subparagraph (5), or [section 423.2, subsection 6](#), paragraphs “bq”, “br”, “bs”, and “bu” furnished, to a commercial enterprise for use exclusively by the commercial enterprise. The use of prewritten computer software, a specified digital product, or service fails to qualify as a use exclusively by the commercial enterprise if its use for noncommercial purposes is more than de minimis.

b. For purposes of [this subsection](#):

(1) “*Commercial enterprise*” means the same as defined in [section 423.3, subsection 47](#),

paragraph “d”, subparagraph (1), but also includes professions and occupations, and includes public utilities as defined in [section 476.1, subsection 2](#).

(2) “*De minimis*” and “*noncommercial purposes*” shall be defined by the director by rule.

105. The sales price of specified digital products sold to a non-end user. For purposes of [this subsection](#), “*non-end user*” means a person who receives by contract a specified digital product for further commercial broadcast, rebroadcast, transmission, retransmission, licensing, relicensing, distribution, redistribution, or exhibition of the product, in whole or in part, to another person.

106. The sales price for transportation services furnished by emergency or nonemergency medical transportation, by a paratransit service, and by a public transit system as defined in [section 324A.1](#).

107. The sales price of the sale of tangible personal property sold to and of services furnished to a nonprofit food bank, if the property or services are used by the nonprofit food bank for a charitable purpose. For purposes of [this subsection](#), “*nonprofit food bank*” means an organization organized under [chapter 504](#) and qualifying under section 501(c)(3) of the Internal Revenue Code as an organization exempt from federal income tax under section 501(a) of the Internal Revenue Code that maintains an established operation involving the provision of food or edible commodities or the products thereof on a regular basis to persons in need or to food pantries, soup kitchens, hunger relief centers, or other food or feeding centers that, as an integral part of their normal activities, provide meals or food on a regular basis to persons in need.

108. The sales price from the sale of feminine hygiene products. For purposes of [this subsection](#), “*feminine hygiene products*” means tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle.

109. The sales price from the sale of a child or adult diaper, whether cloth or disposable.

2003 Acts, 1st Ex, ch 2, §96, 205; 2004 Acts, ch 1022, §4; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1073, §26, 27; 2004 Acts, ch 1086, §105; 2004 Acts, ch 1133, §1; 2004 Acts, ch 1175, §320, 394; 2005 Acts, ch 71, §1; 2005 Acts, ch 134, §1; 2005 Acts, ch 140, §6 – 11, 16, 30, 44 – 46, 72, 73; 2006 Acts, ch 1001, §1, 2, 4, 5; 2006 Acts, ch 1134, §1; 2006 Acts, ch 1158, §40 – 44; 2006 Acts, ch 1161, §5, 7; 2006 Acts, ch 1162, §1; 2006 Acts, ch 1185, §128; 2007 Acts, ch 22, §74, 75; 2007 Acts, ch 186, §21, 22; 2007 Acts, ch 199, §1; 2007 Acts, ch 215, §112, 125; 2008 Acts, ch 1006, §1; 2008 Acts, ch 1163, §1; 2008 Acts, ch 1184, §55, 56; 2009 Acts, ch 133, §144; 2009 Acts, ch 179, §136, 197, 218 – 220; 2010 Acts, ch 1031, §388; 2010 Acts, ch 1148, §1; 2011 Acts, ch 25, §41, 42, 85 – 87, 143; 2011 Acts, ch 92, §6; 2012 Acts, ch 1019, §131; 2012 Acts, ch 1104, §1; 2012 Acts, ch 1110, §18, 19; 2012 Acts, ch 1121, §13, 14; 2012 Acts, ch 1125, §1; 2012 Acts, ch 1139, §2, 3, 6; 2013 Acts, ch 11, §1; 2013 Acts, ch 70, §12 – 15; 2013 Acts, ch 92, §1; 2013 Acts, ch 138, §59; 2013 Acts, ch 140, §127, 128; 2014 Acts, ch 1026, §89; 2014 Acts, ch 1050, §1; 2014 Acts, ch 1093, §22; 2014 Acts, ch 1127, §2, 3; 2014 Acts, ch 1129, §1; 2015 Acts, ch 30, §120; 2015 Acts, ch 94, §1; 2015 Acts, ch 99, §54; 2015 Acts, ch 114, §2; 2015 Acts, ch 116, §15, 16, 19, 20; 2016 Acts, ch 1007, §8, 9; 2016 Acts, ch 1128, §6, 16, 18, 27; 2018 Acts, ch 1001, §10, 27; 2018 Acts, ch 1026, §132, 133; 2018 Acts, ch 1155, §1; 2018 Acts, ch 1161, §175 – 188, 229, 230; 2019 Acts, ch 59, §125; 2019 Acts, ch 141, §1; 2019 Acts, ch 151, §20, 46; 2019 Acts, ch 152, §22 – 24, 32, 34, 54 – 56; 2020 Acts, ch 1063, §227, 228; 2020 Acts, ch 1118, §38 – 40, 50, 51, 96; 2021 Acts, ch 75, §6; 2021 Acts, ch 86, §53 – 69; 2021 Acts, ch 177, §72; 2022 Acts, ch 1021, §102, 103, 181, 187; 2022 Acts, ch 1125, §8, 9; 2022 Acts, ch 1138, §7 – 9, 40 – 45, 61, 63, 64; 2023 Acts, ch 19, §1123 – 1125, 1419, 2017; 2023 Acts, ch 66, §101

Referred to in §2.48, 8G.4, 123.173A, 321.105A, 423.1, 423.2, 423.4, 423.6, 423.33, 423C.3, 423G.2, 423G.4, 427.1(35)(a), 427.1(35)(b), 427.1(36)(a), 427.1(36)(b), 427.1(37)(a), 622.10

2019 amendment to subsection 47, paragraph c, subparagraph (3), applies retroactively to January 1, 2016, for tax years beginning on or after that date; 2019 Acts, ch 152, §34

2019 amendment to subsection 47, paragraph d, subparagraph (4), subparagraph division (c), unnumbered paragraph 1, applies retroactively to May 30, 2018; 2019 Acts, ch 152, §56

2020 amendment to subsection 3A applies retroactively to July 1, 2005; refunds of taxes, interest, or penalties arising from claims for sales occurring between that date and June 29, 2020, not allowed; 2020 Acts, ch 1118, §48, 51

2022 amendment to subsection 49 applies retroactively to January 1, 2019; 2022 Acts, ch 1138, §64

2022 strike of subsection 47, paragraph a, subparagraph (4), effective January 1, 2024; 2022 Acts, ch 1138, §45

2019 amendment to subsection 56 effective July 1, 2023; 2019 Acts, ch 151, §46

Subsection 18, paragraphs a, b, c, d, and g amended

Subsection 18, paragraph f, unnumbered paragraph 1 amended

Subsections 31, 34, and 58 amended  
Subsection 47, paragraph a, subparagraph (4) stricken and former subparagraphs (5) and (6) renumbered as (4) and (5)  
Subsection 80, paragraph d amended

#### 423.4 Refunds.

1. a. For purposes of [this subsection](#), a “designated exempt entity” means any of the following:

- (1) A private nonprofit educational institution in this state.
- (2) A nonprofit Iowa affiliate of a nonprofit international organization whose primary activity is the promotion of the construction, remodeling, or rehabilitation of one-family or two-family dwellings for low-income families.
- (3) A nonprofit private museum in this state.
- (4) A tax-certifying or tax-levying body or governmental subdivision of the state, including the state board of regents, the department of health and human services, and the state department of transportation.
- (5) A municipally owned solid waste facility which sells all or part of its processed waste as fuel to a municipally owned public utility.
- (6) The state of Iowa.
- (7) Any political subdivision of the state.
- (8) All divisions, boards, commissions, agencies, or instrumentalities of state, federal, county, or municipal government which do not have earnings going to the benefit of an equity investor or stockholder.
- (9) A tribal government, and any instrumentalities of the tribal government which do not have earnings going to the benefit of an equity investor or stockholder. For the purposes of this subparagraph, “tribal government” means the governing body of a federally recognized Indian tribe.

b. A designated exempt entity may apply to the department for the refund of the sales or use tax upon the sales price of all sales of building materials, supplies, equipment, or from services furnished to a contractor, used in the performance of a written contract with the designated exempt entity if all of the following apply:

- (1) The building materials, supplies, equipment, or services are completely consumed in the performance of a construction project with the designated entity.
- (2) The property that is subject of the construction project becomes public property or the property of an exempt entity.
- (3) The building materials, supplies, equipment, or services furnished are not used in the performance of any contract in connection with the operation of any municipal utility engaged in selling gas, electricity, or heat to the general public or in connection with the operation of a municipal pay television system; and are not used in the performance of a contract for a “project” under [chapter 419](#) as defined in that chapter other than building materials, supplies, or equipment used in the performance of a contract for a “project” under [chapter 419](#) for which a bond issue was approved by a municipality prior to July 1, 1968, or for which the building materials, supplies, or equipment becomes an integral part of the project under contract and at the completion of the project becomes public property or is devoted to educational uses.

c. A contractor shall state under oath, on forms provided by the department, the amount of such sales of building materials, supplies, or equipment, or services furnished and used in the performance of such contract, and upon which sales or use tax has been paid, and shall file such forms with the designated exempt entity which has made any written contract for performance by the contractor. The forms shall be filed by the contractor with the designated exempt entity before final settlement is made.

d. A designated exempt entity shall, not more than one year after the final settlement has been made, apply to the department for any refund of the amount of the sales or use tax which shall have been paid upon any building materials, supplies, equipment, or services furnished, the application to be made in the manner and upon forms to be provided by the department, and the department shall forthwith audit the claim and, if approved, issue a warrant to the

designated exempt entity in the amount of the sales or use tax which has been paid to the state of Iowa under the contract.

e. Refunds authorized under [this subsection](#) shall accrue interest in accordance with [section 421.60, subsection 2](#), paragraph “e”.

f. Any contractor who willfully makes a false report of tax paid under the provisions of [this subsection](#) is guilty of a simple misdemeanor and in addition shall be liable for the payment of the tax and any applicable penalty and interest.

2. The refund of sales and use tax paid on transportation construction projects let by the state department of transportation is subject to the special provisions of [this subsection](#).

a. A contractor awarded a contract for a transportation construction project is considered the consumer of all building materials, building supplies, equipment, and services and shall pay sales tax to the supplier or remit consumer use tax directly to the department.

b. The contractor is not required to file information with the state department of transportation stating the amount of building materials, supplies, equipment, or services used in the performance of the contract or the amount of sales or use tax paid.

c. The state department of transportation shall file a refund claim based on a formula that considers the following:

(1) The quantity of material to complete the contract, and quantities of items of work.

(2) The estimated cost of these materials included in the items of work, and the state sales or use tax to be paid on the tax rate in effect in [section 423.2](#). The quantity of materials shall be determined after each letting based on the contract quantities of all items of work let to contract. The quantity of individual component materials required for each item shall be determined and maintained in a database. The total quantities of materials shall be determined by multiplying the quantities of component materials for each contract item of work by the total quantities of each contract item for each letting. Where variances exist in the cost of materials, the lowest cost shall be used as the base cost.

d. Only the state sales or use tax is refundable. Local option taxes paid by the contractor are not refundable.

3. A relief agency may apply to the director for refund of the amount of sales or use tax imposed and paid upon sales to it of any tangible personal property or specified digital products, or services furnished, used for free distribution to the poor and needy.

a. The refunds may be obtained only in the following amounts and manner and only under the following conditions:

(1) On forms furnished by the department, and filed within the time as the director shall provide by rule, the relief agency shall report to the department the total amount or amounts, valued in money, expended directly or indirectly for tangible personal property or specified digital products, or services furnished, used for free distribution to the poor and needy.

(2) On these forms the relief agency shall separately list the persons making the sales to it or to its order, together with the dates of the sales, and the total amount so expended by the relief agency.

(3) The relief agency must prove to the satisfaction of the director that the person making the sales has included the amount thereof in the computation of the sales price of such person and that such person has paid the tax levied by [this subchapter](#) or [subchapter III](#), based upon such computation of the sales price.

b. If satisfied that the foregoing conditions and requirements have been complied with, the director shall refund the amount claimed by the relief agency.

4. A person in possession of a wind energy production tax credit certificate pursuant to [chapter 476B](#) or a renewable energy tax credit certificate issued pursuant to [chapter 476C](#) may apply to the director for refund of the amount of sales or use tax imposed and paid upon purchases made by the applicant.

a. The refunds may be obtained only in the following manner and under the following conditions:

(1) On forms furnished by the department and filed by January 31 after the end of the calendar year in which the tax credit certificate is to be applied, the applicant shall report to the department the total amount of sales and use tax paid during the reporting period on purchases made by the applicant.

(2) The applicant shall separately list the amounts of sales and use tax paid during the reporting period.

(3) If required by the department, the applicant shall prove that the person making the sales has included the amount thereof in the computation of the sales price of such person and that such person has paid the tax levied by [this subchapter](#) or [subchapter III](#), based upon such computation of the sales price.

(4) The applicant shall provide the tax credit certificates issued pursuant to [chapter 476B](#) or [476C](#) to the department with the forms required by this paragraph “a”.

b. If satisfied that the foregoing conditions and requirements have been complied with, the director shall refund the amount claimed by the applicant for an amount not greater than the amount of tax credits issued in tax credit certificates pursuant to [chapter 476B](#) or [476C](#).

5. a. For purposes of [this subsection](#):

(1) “*Automobile racetrack facility*” means a sanctioned automobile racetrack facility located as part of a racetrack and entertainment complex, including any museum attached to or included in the racetrack facility but excluding any restaurant, and which facility is located, on a maximum of two hundred thirty-two acres, in a city with a population of at least fourteen thousand five hundred but not more than sixteen thousand five hundred residents, which city is located in a county with a population of at least thirty-five thousand but not more than forty thousand residents and where the construction on the racetrack facility commenced not later than July 1, 2006, and the cost of the construction upon completion was at least thirty-five million dollars.

(2) “*Change of control*” means any change in the ownership of the original or any subsequent legal entity that is the owner or operator of the automobile racetrack facility such that less than twenty-five percent of the equity interests in the legal entity is owned by individuals who are residents of Iowa, an Iowa business, or combination of both.

(3) “*Iowa business*” means a corporation or limited liability company incorporated or formed under the laws of Iowa.

(4) “*Owner or operator*” means a for-profit legal entity where at least twenty-five percent of its equity interests are owned by individuals who are residents of Iowa, an Iowa business, or combination of both and that is the owner or operator of an automobile racetrack facility and is primarily a promoter of motor vehicle races.

(5) “*Population*” means the population based upon the 2000 certified federal census.

b. The owner or operator of an automobile racetrack facility may apply to the department for a rebate of sales tax imposed and collected by retailers upon sales of tangible personal property or services furnished to purchasers at the automobile racetrack facility.

c. The rebate may be obtained only in the following amounts and manner and only under the following conditions:

(1) On forms furnished by the department within the time period provided by the department by rule, which time period shall not be longer than quarterly.

(2) The owner or operator shall provide information as deemed necessary by the department.

(3) The transactions for which sales tax was collected and the rebate is sought occurred on or after January 1, 2006, but before January 1, 2026. However, not more than twelve million five hundred thousand dollars in total rebates shall be provided pursuant to [this subsection](#).

(4) Notwithstanding subparagraph (3), the rebate of sales tax shall cease for transactions occurring on or after the date of the change of control of the automobile racetrack facility.

(5) The automobile racetrack facility has not received or shall not receive any grants under the community attraction and tourism program pursuant to [chapter 15F, subchapter II](#), or the vision Iowa program pursuant to [chapter 15F, subchapter III](#).

d. To assist the department in determining the amount of the rebate, the owner or operator shall identify to the department retailers located at the automobile racetrack facility who will be collecting sales tax. The department shall verify such identity and ensure that all proper permits have been issued. For purposes of [this subsection](#), advance ticket and admissions sales shall be considered occurring at the automobile racetrack facility regardless of where the transactions actually occur.

e. Upon determining that the conditions and requirements of [this subsection](#) and the

department are met, the department shall issue a warrant to the owner or operator in the amount equal to the amount claimed and verified by the department.

f. Notwithstanding the state sales tax imposed in [section 423.2](#), a rebate issued pursuant to [this subsection](#) shall not exceed an amount equal to five percent of the sales price of the tangible personal property or services furnished to purchasers at the automobile racetrack facility. Any local option taxes paid and collected shall not be subject to rebate under [this subsection](#).

g. [This subsection](#) is repealed June 30, 2026, or thirty days following the date on which twelve million five hundred thousand dollars in total rebates have been provided, or thirty days following the date on which rebates cease as provided in paragraph “c”, subparagraph (4), whichever is the earliest.

6. a. (1) The owner of a collaborative educational facility in this state may make application to the department for the refund of the sales or use tax upon the sales price of all sales of building materials, supplies, equipment, or from services furnished to a contractor, used in the fulfillment of a written construction contract with the owner of the collaborative educational facility for the original construction, or additions or modifications to, a building or structure to be used as part of the collaborative educational facility.

(2) To receive the refund under [this subsection](#), a collaborative educational facility must meet all of the following criteria:

(a) The contract for construction of the building or structure is entered into on or after April 1, 2003.

(b) The building or structure is located within the corporate limits of a city in the state with a population in excess of one hundred ninety-five thousand residents.

(c) The sole purpose of the building or structure is to provide facilities for a collaborative of public and private educational institutions that provide education to students.

(d) The owner of the building or structure is a nonprofit corporation governed by [chapter 504](#) or former chapter 504A which is exempt from federal income tax pursuant to section 501(a) of the Internal Revenue Code.

(3) References to “*building*” or “*structure*” in subparagraph (2), subparagraph divisions (a) through (d) include any additions or modifications to the building or structure.

b. A contractor shall state under oath, on forms provided by the department, the amount of such sales of building materials, supplies, equipment, or services furnished and used in the performance of such contract, and upon which sales or use tax has been paid, and shall file such forms with the owner of the collaborative educational facility which has made any written contract for performance by the contractor.

c. (1) The owner of the collaborative educational facility shall, not more than one year after the final settlement has been made, make application to the department for any refund of the amount of the sales or use tax which shall have been paid upon any building materials, supplies, equipment, or services furnished, the application to be made in the manner and upon forms to be provided by the department, and the department shall forthwith audit the claim and, if approved, issue a warrant to the owner of the collaborative educational facility in the amount of the sales or use tax which has been paid to the state of Iowa under the contract.

(2) Refunds authorized under [this subsection](#) shall accrue interest in accordance with [section 421.60, subsection 2](#), paragraph “e”.

d. Any contractor who willfully makes a false report of tax paid under the provisions of [this subsection](#) is guilty of a simple misdemeanor and in addition shall be liable for the payment of the tax and any applicable penalty and interest.

7. a. The owner of a data center business, as defined in [section 423.3, subsection 95](#), located in this state may make an annual application for up to five consecutive years to the department for the refund of fifty percent of the sales or use tax upon the sales price of all sales of fuel used in creating heat, power, and steam for processing or generating electrical current, or from the sale of electricity consumed by computers, machinery, or other equipment for operation of the data center business facility.

b. A data center business shall qualify for the refund in [this subsection](#) if all of the following criteria are met:

(1) The data center business shall make an investment in an Iowa physical location within

the first three years of operation in Iowa beginning with the date on which the data center business initiates site preparation activities.

(2) The amount of the investment in an Iowa physical location, including the value of a lease agreement, or an investment in land or buildings, and the capital expenditures for computers, machinery, and other equipment used in the operation of the data center business shall equal at least one million dollars, but shall not exceed ten million dollars for a newly constructed building or five million dollars for a rehabilitated building.

(3) If the data center business is leasing a building to house operations, the data center business shall enter into a lease that is at least five years in duration.

(4) The data center business shall comply with the sustainable design and construction standards established by the state building code commissioner pursuant to [section 103A.8B](#).

c. The refund may be obtained only in the following manner and under the following conditions:

(1) The applicant shall use forms furnished by the department.

(2) The applicant shall separately list the amounts of sales and use tax paid during the reporting period.

(3) The applicant may request when the refund begins, but it must start on the first day of a month and proceed for a continuous twelve-month period.

d. In determining the amount to be refunded, if the dates of the utility billing or meter reading cycle for the sale or furnishing of metered gas and electricity are on or after the first day of the first month through the last day of the last month of the refund year, fifty percent of the amount of tax charged in the billings shall be refunded. In determining the amount to be refunded, if the dates of the sale or furnishing of fuel for purposes of commercial energy and the delivery of the fuel are on or after the first day of the first month through the last day of the last month of the refund year, fifty percent of the amount of tax charged in the billings shall be refunded.

e. To receive refunds during the five-year period, the applicant shall file a refund claim within three months after the end of each refund year.

f. The refund in [this subsection](#) applies only to state sales and use tax paid and does not apply to local option sales and services taxes imposed pursuant to [chapter 423B](#). Notwithstanding the state sales tax imposed in [section 423.2](#), a refund issued pursuant to [this section](#) shall not exceed an amount equal to five percent of the sales price of the fuel used to create heat, power, and steam for processing or generating electrical current or from the sale price of electricity consumed by computers, machinery, or other equipment for operation of the data center business facility.

8. a. The owner of a data center business, as defined in [section 423.3, subsection 95, paragraph "e"](#), located in this state that is not eligible for the exemption under [section 423.3, subsection 95](#), may make an annual application to the department for the refund of fifty percent of the sales or use tax upon all of the following:

(1) The sales price from the sale or rental of computers and equipment that are necessary for the maintenance and operation of a data center business and property whether directly or indirectly connected to the computers, including but not limited to cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of the data center business including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the data center business.

(2) The sales price of backup power generation fuel that is purchased by a data center business for use in the items listed in subparagraph (1).

(3) The sales price of electricity purchased for use in providing data center services.

b. A data center business shall qualify for the partial refund in [this subsection](#) if all of the following criteria are met:

(1) The data center business shall have a physical location in the state which is at least five thousand square feet in size.

(2) The data center business shall make a minimum investment of at least ten million

dollars, in the case of new construction, or at least five million dollars in the case of a rehabilitated building, in an Iowa physical location within the first six years of operation in Iowa, beginning with the date on which the data center business initiates site preparation activities. The minimum investment includes the initial investment, including the value of a lease agreement or the amount invested in land and subsequent acquisition of additional adjacent land and subsequent investment at the Iowa location.

(3) If the data center business is leasing a building to house operations, the data center business shall enter into a lease that is at least five years in duration.

(4) The data center business shall comply with the sustainable design and construction standards established by the state building code commissioner pursuant to [section 103A.8B](#).

c. The refund allowed under [this subsection](#) shall be available for the following periods of time:

(1) For an investment of at least ten million dollars, in the case of new construction, or at least five million dollars, in the case of a rehabilitated building, but less than one hundred thirty-six million dollars, ten years.

(2) For an investment of at least one hundred thirty-six million dollars, but less than two hundred million dollars, seven years.

d. The refund may be obtained only in the following manner and under the following conditions:

(1) The applicant shall use forms furnished by the department.

(2) The applicant shall separately list the amounts of sales and use tax paid during the reporting period.

(3) The applicant may request when the refund begins, but it must start on the first day of a month and proceed for a continuous twelve-month period.

e. In determining the amount to be refunded, if the dates of the utility billing or meter reading cycle for the sale or furnishing of metered gas and electricity are on or after the first day of the first month through the last day of the last month of the refund year, fifty percent of the amount of tax charged in the billings shall be refunded. In determining the amount to be refunded, if the dates of the sale or furnishing of fuel for purposes of commercial energy and the delivery of the fuel are on or after the first day of the first month through the last day of the last month of the refund year, fifty percent of the amount of tax charged in the billings shall be refunded.

f. To receive refunds during the applicable refund period, the applicant shall file a refund claim within three months after the end of each refund year.

g. The refund in [this subsection](#) applies only to state sales and use tax paid and does not apply to local option sales and services taxes imposed pursuant to [chapter 423B](#). Notwithstanding the state sales tax imposed in [section 423.2](#), a refund issued pursuant to [this section](#) shall not exceed an amount equal to five percent of the sales price of the items listed in paragraph “a”, subparagraphs (1), (2), and (3).

9. A person who qualifies as a biodiesel producer as provided in [this subsection](#) may apply to the director for a refund of the amount of the sales or use tax imposed and paid upon purchases made by the person.

a. The person must be engaged in the manufacturing of biodiesel and be registered with the United States environmental protection agency as a manufacturer according to the requirements in [40 C.F.R. §79.4](#). The biodiesel must be for use in biodiesel blended fuel in conformance with the standards and classifications in [section 214A.2](#). The person must comply with the requirements of [this subsection](#) and rules adopted by the department pursuant to [this subsection](#).

b. The amount of the refund shall be calculated by multiplying a designated rate by the total number of gallons of biodiesel produced by the biodiesel producer in this state during each quarter of a calendar year. The designated rate shall be four cents.

c. A biodiesel producer shall not be eligible to receive a refund under [this subsection](#) on more than twenty-five million gallons of biodiesel produced each calendar year by the biodiesel producer at each facility where the biodiesel producer manufactures biodiesel.

d. A person shall obtain a refund by completing forms furnished by the department and filed by the person on a quarterly basis as required by the department. The department shall

refund the amount claimed by the person after subtracting any amount owing from the sales or use taxes imposed and paid upon purchases made by the person.

e. [This subsection](#) is repealed January 1, 2028.

10. a. For purposes of [this subsection](#):

(1) “*Baseball and softball complex*” means a baseball and softball complex located in this state that has a project completion date that is after July 1, 2016, and that has a cost of construction upon completion that is at least ten million dollars.

(2) “*Change of control*” means any of the following:

(a) Any change in the ownership of the original or any subsequent legal entity that is the owner or operator of the baseball and softball complex such that more than fifty-one percent of the equity interests or voting interest in the legal entity ceases to be owned by individuals who are residents of Iowa, an Iowa corporation, or combination of both.

(b) The original owners of the legal entity that is the owner or operator of the baseball and softball complex shall collectively cease to own or control more than fifty percent of the voting equity interests or voting interest of such legal entity or shall otherwise cease to have effective control of such legal entity.

(3) “*Iowa corporation*” means a corporation incorporated under the laws of Iowa where more than fifty-one percent of the corporation’s equity interests or voting interest are owned or controlled by individuals who are residents of Iowa.

(4) “*Owner or operator*” means a legal entity where more than fifty-one percent of its equity interests or voting interest is owned or controlled by individuals who are residents of Iowa, an Iowa corporation, or combination of both and that is the owner or operator of a baseball and softball complex and is primarily a promoter of baseball or softball tournaments, or both.

(5) “*Project completion date*” means the date on which a baseball and softball complex is placed into service.

b. The owner or operator of a baseball and softball complex that has received an award under [section 15F.207](#), Code 2019, shall be entitled to a rebate of sales tax imposed and collected by retailers upon sales of any goods, wares, merchandise, admission tickets, or services furnished to purchasers at the baseball and softball complex.

c. The rebate may be obtained only in the following amounts and manner and only under the following conditions:

(1) On forms furnished by the department within the time period provided by the department by rule, which time period shall not be longer than quarterly.

(2) The owner or operator shall provide information as deemed necessary by the department.

(3) The transactions for which sales tax was collected and the rebate is sought occurred on or after the baseball and softball complex’s project completion date or the date on which the award under [section 15F.207](#), Code 2019, was made, whichever is later, but before the date which is ten years after the project completion date. However, the amount of rebates provided to a baseball and softball complex shall not exceed the amount of the award under [section 15F.207](#), Code 2019, and not more than five million dollars in total rebates shall be provided pursuant to [this subsection](#).

(4) Notwithstanding subparagraph (3), the rebate of sales tax to a baseball and softball complex shall cease for transactions occurring on or after the date of the change of control of the baseball and softball complex.

d. To assist the department in determining the amount of the rebate, the owner or operator shall identify to the department retailers located at the baseball and softball complex who will be collecting sales tax. The department shall verify such identity and ensure that all proper permits have been issued. For purposes of [this subsection](#), advance ticket and admissions sales shall be considered occurring at the baseball and softball complex regardless of where the transactions actually occur.

e. There is established within the state treasury under the control of the department a baseball and softball complex sales tax rebate fund consisting of the amount of state sales tax revenues transferred pursuant to [section 423.2A, subsection 2](#), paragraph “d”. An account is created within the fund for each baseball and softball complex receiving an award under

section 15F.207, Code 2019, and meeting the qualifications of [this subsection](#). Moneys in the fund shall only be used to provide rebates of state sales tax pursuant to [this subsection](#), and only the state sales tax revenues in the baseball and softball complex rebate fund are subject to rebate under [this subsection](#). The amount of rebates paid from each baseball and softball complex's account within the fund shall not exceed the amount of the award under [section 15F.207](#), Code 2019, and not more than five million dollars in total rebates shall be paid from the fund. Any moneys in the fund which represent state sales tax revenue for which the time period in paragraph "c" for receiving a rebate has expired, or which otherwise represent state sales tax revenue that has become ineligible for rebate pursuant to [this subsection](#), shall immediately revert to the general fund of this state.

f. Upon determining that the conditions and requirements of [this subsection](#) and the department are met, the department shall issue a warrant from the applicable account within the baseball and softball complex rebate fund to the owner or operator in the amount equal to the amount claimed and verified by the department.

g. [This subsection](#) is repealed thirty days following the date on which five million dollars in total rebates have been provided. The director of revenue shall notify the Iowa Code editor upon occurrence of this condition.

11. a. For purposes of [this subsection](#):

(1) "Change of control" means a change in ownership such that the fair that was the owner or operator on July 1, 2014, ceases to own a majority of the equity interests in the raceway facility.

(2) "Fair" means the same as defined in [section 174.1](#).

(3) "Owner or operator" means a fair that is the owner or operator of a raceway facility and is a promoter of races.

(4) "Population" means the population based upon the 2010 certified federal census.

(5) "Raceway facility" means a raceway facility located as part of a racetrack and entertainment complex and located on fairgrounds, as defined in [section 174.1](#), in a city with a population of at least seven thousand but not more than seven thousand five hundred residents, which city is located in a county with a population of at least thirty-three thousand but not more than thirty-three thousand four hundred fifty residents, and which facility was placed in service before July 1, 2014.

b. The owner or operator of a raceway facility may apply to the department for a rebate of the sales tax imposed and collected by retailers upon sales of tangible personal property or services furnished to purchasers at the raceway facility. Notwithstanding the state sales tax imposed in [section 423.2](#), a sales tax rebate issued pursuant to this paragraph shall not exceed the amounts transferred to the raceway facility tax rebate fund pursuant to [section 423.2A, subsection 2](#), paragraph "g".

c. The rebate may be obtained only in the following amounts and manner and only under the following conditions:

(1) On forms furnished by the department within the time period provided in this subparagraph. As prescribed in subparagraph (3), subparagraph division (a), the amount of a rebate shall be limited by and calculated according to the amount of project costs incurred and paid by the owner or operator on or after May 16, 2018. A rebate claim calculated according to an amount of project costs shall be considered timely only if the form upon which the rebate is requested is filed with the department within ninety days of the date the project cost is paid by the owner or operator.

(2) The owner or operator shall provide information as deemed necessary by the department, including but not limited to information to substantiate the project costs incurred and paid by the owner or operator.

(3) The transactions described in paragraph "b" for which sales or use tax was collected and the rebate is sought occurred on or after January 1, 2015, but before January 1, 2030. However, the total amount of rebates provided pursuant to [this subsection](#) shall not exceed the lesser of the following amounts:

(a) The amount of project costs incurred and paid by the owner or operator on or after May 16, 2018. For purposes of [this subsection](#), "project costs" means costs incurred and paid by the owner or operator in connection with the construction and installation of new property or of

modifications to existing property if such property upon completion of one or more projects becomes or remains part of the raceway facility and constitutes the renovation, remodeling, reconstruction, expansion, equipping, or improvement of real property that comprises the raceway facility. “Project costs” does not include any amount of cost that is not substantiated to the department pursuant to subparagraphs (1) and (2) within ninety days of the date it is paid by the owner or operator.

(b) One million eight hundred thousand dollars.

(4) Notwithstanding subparagraph (3), the rebate of sales tax shall cease for transactions occurring on or after the date of the change of control of the raceway facility.

(5) The raceway facility has not received or shall not receive any grants under the community attraction and tourism program pursuant to [chapter 15F, subchapter II](#), or the vision Iowa program pursuant to [chapter 15F, subchapter III](#).

d. To assist the department in determining the amount of the rebate, the owner or operator shall identify to the department retailers located at the raceway facility who will be collecting sales tax. The department shall verify such identity and ensure that all proper permits have been issued. For purposes of [this subsection](#), advance ticket and admissions sales shall be considered occurring at the raceway facility regardless of where the transactions actually occur.

e. There is established within the state treasury under the control of the department a raceway facility tax rebate fund consisting of the amount of state sales tax revenues transferred pursuant to [section 423.2A, subsection 2](#), paragraph “g”. An account is created within the fund for each raceway facility meeting the qualifications of [this subsection](#). Moneys in the fund shall only be used to provide rebates of state sales tax pursuant to paragraph “b”. The total amount of rebates paid from the fund shall not exceed the amount specified in paragraph “c”, subparagraph (3), subparagraph division (a) or (b), whichever is less. Any moneys in the fund which represent state sales tax revenue that has become ineligible for rebate pursuant to [this subsection](#) shall immediately revert to the general fund of the state.

f. Upon determining that the conditions and requirements of [this subsection](#) and the department are met, the department shall issue a warrant to the owner or operator in the amount equal to the amount claimed and verified by the department.

g. [This subsection](#) is repealed June 30, 2030, or thirty days following the date on which one million eight hundred thousand dollars in total rebates have been provided and no overpayment of rebates exists, or thirty days following the date on which rebates cease as provided in paragraph “c”, subparagraph (4), and no overpayment of rebates exists, whichever is earliest.

h. If the amount of rebates issued to an owner or operator under [this subsection](#) exceeds the amount allowed under [this subsection](#), the department shall seek repayment of such excess amount. The repayment of rebates pursuant to this paragraph shall be considered a tax payment due and payable to the department by any person who has received such rebates, and the failure to make such a repayment may be treated by the department in the same manner as a failure to pay the tax shown due or required to be shown due with the filing of a return or deposit form. In addition, the amount of rebates required to be repaid shall constitute a lien upon the real property that comprises the raceway facility that was the subject of the rebate regardless of the identity of the owner or operator of said raceway facility, and the liability shall be collected in the same manner as provided in [section 422.26](#). Amounts required to be repaid pursuant to this paragraph shall accrue interest at the rate in effect under [section 421.7](#) from the date of the warrant issued under paragraph “f”.

i. The director shall adopt rules for the administration of [this subsection](#).

2003 Acts, 1st Ex, ch 2, §97, 205; 2005 Acts, ch 110, §2; 2005 Acts, ch 134, §2; 2005 Acts, ch 160, §4, 14; 2006 Acts, ch 1001, §3; 2006 Acts, ch 1136, §3; 2006 Acts, ch 1185, §128; 2007 Acts, ch 126, §69; 2007 Acts, ch 199, §2; 2008 Acts, ch 1004, §3, 7; 2008 Acts, ch 1032, §52; 2008 Acts, ch 1128, §2, 15; 2009 Acts, ch 41, §253; 2009 Acts, ch 60, §7; 2009 Acts, ch 179, §39, 198, 199, 202, 211, 212; 2010 Acts, ch 1061, §87, 181; 2011 Acts, ch 25, §143; 2011 Acts, ch 113, §59, 60; 2011 Acts, ch 131, §66, 78; 2012 Acts, ch 1098, §3; 2014 Acts, ch 1051, §1 – 5; 2014 Acts, ch 1102, §2; 2014 Acts, ch 1104, §18; 2016 Acts, ch 1106, §11; 2016 Acts, ch 1117,

§4; 2018 Acts, ch 1146, §2 – 4; 2018 Acts, ch 1161, §11, 12, 15, 16, 189 – 194, 229; 2020 Acts, ch 1118, §41 – 44; 2021 Acts, ch 86, §70, 71; 2022 Acts, ch 1067, §82, 83; 2023 Acts, ch 19, §1126; 2023 Acts, ch 66, §102; 2023 Acts, ch 153, §4, 5

Referred to in §2.48, 8G.3, 15F401, 357A.15, 357E.15, 422.7(36), 422.35, 423.2A, 423.3, 476B.8, 476C.6

Legislative findings regarding rebate of state sales tax collected at an automobile racetrack facility under subsection 5; 2005 Acts, ch 110, §1

Legislative findings regarding rebate of state sales tax collected at a baseball and softball complex under subsection 10; 2012 Acts, ch 1098, §1; 2016 Acts, ch 1117, §4

Subsection 1, paragraph a, subparagraphs (4) and (9) amended

Subsection 9, paragraph a amended

Subsection 11, paragraph c, subparagraph (3), unnumbered paragraph 1 amended

Subsection 11, paragraph g amended

## SUBCHAPTER III

### USE TAX

Referred to in §29C.24, 423.1, 423.3, 423.4, 423.19, 423.22, 423.24, 423.25, 423.36, 423.40, 423.42, 423.43, 423B.5, 423C.3, 423F.1, 423F.2, 453A.47C, 455G.9

#### 423.5 Imposition of tax.

1. Except as provided in paragraph “b”, an excise tax at the rate of six percent of the purchase price or installed purchase price is imposed on the following:

a. The use in this state of tangible personal property as defined in [section 423.1](#), including aircraft subject to registration under [section 328.20](#), purchased for use in this state. For the purposes of [this subchapter](#), the furnishing or use of the following services is also treated as the use of tangible personal property: optional service or warranty contracts, except residential service contracts regulated under [chapter 523C](#), vulcanizing, recapping, or retreading services, engraving, printing, or binding services, and communication service when furnished or delivered to consumers or users within this state.

b. An excise tax at the rate of five percent is imposed on the use of vehicles subject only to the issuance of a certificate of title and the use of manufactured housing, and on the use of leased vehicles, if the lease transaction does not require titling or registration of the vehicle, on the amount subject to tax as calculated pursuant to [section 423.26, subsection 2](#).

c. Purchases of tangible personal property or specified digital products made from the government of the United States or any of its agencies by ultimate consumers shall be subject to the tax imposed by [this section](#). Services purchased from the same source or sources shall be subject to the service tax imposed by [this subchapter](#) and apply to the user of the services.

d. The use in this state of services enumerated in [section 423.2](#). This tax is applicable where the service is first used in this state.

e. (1) The use in this state of specified digital products. The tax applies whether the purchaser obtains permanent use or less than permanent use of the specified digital product, whether the use is conditioned or not conditioned upon continued payment from the purchaser, and whether the use is on a subscription basis or is not on a subscription basis.

(2) The use of a digital code that may be used to obtain or access a specified digital product shall be taxed in the same manner as the specified digital product. For purposes of this subparagraph, “*digital code*” means the same as defined in [section 423.2, subsection 10](#).

2. The excise tax is imposed upon every person using the property within this state until the tax has been paid directly to the county treasurer, the state department of transportation, a retailer, or the department. This tax is imposed on every person using the services or the product of the services in this state until the user has paid the tax either to an Iowa sales or use tax permit holder or to the department.

3. For the purpose of the proper administration of the use tax and to prevent its evasion, evidence that tangible personal property or specified digital products were sold by any person for delivery in this state shall be prima facie evidence that such tangible personal property or specified digital products were sold for use in this state.

4. The use tax rate of six percent is reduced to five percent on January 1, 2051.

2003 Acts, 1st Ex, ch 2, §98, 205; 2005 Acts, ch 140, §47; 2008 Acts, ch 1113, §112, 124, 129; 2008 Acts, ch 1134, §11, 13; 2008 Acts, ch 1191, §87; 2010 Acts, ch 1145, §10, 17; 2011 Acts,

ch 92, §7; 2013 Acts, ch 30, §94; 2018 Acts, ch 1161, §195 – 199, 229, 231; 2019 Acts, ch 166, §9; 2020 Acts, ch 1118, §45; 2022 Acts, ch 1138, §10

Referred to in §29C.15, 328.26, 423.2, 423.14, 423.14A, 423C.3

### 423.6 Exemptions.

The use in this state of the following tangible personal property, specified digital products, and services is exempted from the tax imposed by [this subchapter](#):

1. Tangible personal property, specified digital products, and enumerated services, the sales price from the sale of which are required to be included in the measure of the sales tax, if that tax has been paid to the department or the retailer. This exemption does not include vehicles subject to registration or subject only to the issuance of a certificate of title.

2. The sale of tangible personal property, specified digital products, or the furnishing of services in the regular course of business.

3. Property used in processing. The use of property in processing within the meaning of [this subsection](#) shall mean and include any of the following:

a. Any tangible personal property including containers which it is intended shall, by means of fabrication, compounding, manufacturing, or germination, become an integral part of other tangible personal property intended to be sold ultimately at retail, and containers used in the collection, recovery, or return of empty beverage containers subject to [chapter 455C](#).

b. Fuel which is consumed in creating power, heat, or steam for processing or for generating electric current.

c. Chemicals, solvents, sorbents, or reagents, which are directly used and are consumed, dissipated, or depleted in processing tangible personal property which is intended to be sold ultimately at retail, and which may not become a component or integral part of the finished product.

d. The distribution to the public of free newspapers or shoppers guides shall be deemed a retail sale for purposes of the processing exemption in [this subsection](#).

4. All articles of tangible personal property and all specified digital products brought into the state of Iowa by a nonresident individual for the individual's use or enjoyment while within the state.

5. Services exempt from taxation by the provisions of [section 423.3](#).

6. Tangible personal property, specified digital products, or services the sales price of which is exempt from the sales tax under [section 423.3](#), except [section 423.3, subsections 39 and 73](#), as it relates to the sale, but not the lease or rental, of vehicles subject only to the issuance of a certificate of title and as it relates to aircraft subject to registration under [section 328.20](#).

7. Advertisement and promotional material and matter, seed catalogs, envelopes for same, and other similar material temporarily stored in this state which are acquired outside of Iowa and which, subsequent to being brought into this state, are sent outside of Iowa, either singly or physically attached to other tangible personal property sent outside of Iowa.

8. Tangible personal property which, by means of fabrication, compounding, or manufacturing, becomes an integral part of vehicles, as defined in [section 321.1, subsections 41, 64A, 71, 85, and 88](#), 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. Vehicles subject to registration which are designed primarily for carrying persons are excluded from [this subsection](#).

9. Mobile homes and manufactured housing the use of which has previously been subject to the tax imposed under [this subchapter](#) and for which that tax has been paid.

10. Mobile homes to the extent of the portion of the purchase price of the mobile home which is not attributable to the cost of the tangible personal property used in the processing of the mobile home, and manufactured housing to the extent of the purchase price or the installed purchase price of the manufactured housing which is not attributable to the cost of the tangible personal property used in the processing of the manufactured housing. For purposes of this exemption, the portion of the purchase price which is not attributable to the cost of the tangible personal property used in the processing of the mobile home is

eighty percent and the portion of the purchase price or installed purchase price which is not attributable to the cost of the tangible personal property used in the processing of the manufactured housing is eighty percent.

11. Tangible personal property used or to be used as a ship, barge, or waterborne vessel which is used or to be used primarily in or for the transportation of property or cargo for hire on the rivers bordering the state or as materials or parts of such ship, barge, or waterborne vessel.

12. Aircraft for use in a scheduled interstate federal aviation administration certificated air carrier operation.

13. Aircraft; tangible personal property permanently affixed or attached as a component part of the aircraft, including but not limited to repair or replacement materials or parts; and all services used for aircraft repair, remodeling, and maintenance services when such services are performed on aircraft, aircraft engines, or aircraft component materials or parts. For the purposes of this exemption, “*aircraft*” means aircraft used in a scheduled interstate federal aviation administration certificated air carrier operation.

14. Tangible personal property permanently affixed or attached as a component part of the aircraft, including but not limited to repair or replacement materials or parts; and all services used for aircraft repair, remodeling, and maintenance services when such services are performed on aircraft, aircraft engines, or aircraft component materials or parts. For the purposes of this exemption, “*aircraft*” means aircraft used in a nonscheduled interstate federal aviation administration certificated air carrier operation operating under [14 C.F.R. ch. 1, pt. 135](#).

15. *a.* Aircraft sold to an aircraft dealer who in turn rents or leases the aircraft if all of the following apply:

(1) The aircraft is kept in the inventory of the dealer for sale at all times.

(2) The dealer reserves the right to immediately take the aircraft from the renter or lessee when a buyer is found.

(3) The renter or lessee is aware that the dealer will immediately take the aircraft when a buyer is found.

*b.* If an aircraft exempt under [this subsection](#) is used for any purpose other than leasing or renting, or the conditions in paragraph “*a*”, subparagraphs (1), (2), and (3), are not continuously met, the dealer claiming the exemption under [this subsection](#) is liable for the tax that would have been due except for [this subsection](#). The tax shall be computed upon the original purchase price.

16. The use in this state of building materials, supplies, or equipment, the sale or use of which is not treated as a retail sale or a sale at retail under [section 423.2, subsection 1](#).

17. Tangible personal property exempt from the use tax as provided in [section 29C.24](#).

18. Qualifying personal protective equipment and materials which are assembled to become qualifying personal protective equipment. For purposes of [this subsection](#), “*qualifying personal protective equipment*” means personal protective equipment that is assembled and donated by a person during the period beginning with a state of disaster emergency proclamation by the governor under [section 29C.6](#) and ending one hundred eighty days after the expiration of such proclamation.

[2003 Acts, 1st Ex, ch 2, §99, 205; 2006 Acts, ch 1158, §45, 46; 2008 Acts, ch 1113, §41, 42; 2008 Acts, ch 1191, §64; 2011 Acts, ch 25, §88; 2013 Acts, ch 30, §95; 2016 Acts, ch 1095, §9, 14; 2018 Acts, ch 1161, §200, 201, 229; 2020 Acts, ch 1118, §140 – 143](#)

Referred to in [§423C.3](#)

Subsection 18 applies retroactively to January 1, 2020, for qualifying personal protective equipment and materials assembled and donated on or after that date; 2020 Acts, ch 1118, §143

SUBCHAPTER IV  
UNIFORM SALES AND USE TAX  
ADMINISTRATION ACT

Referred to in [§423.1](#)

**423.7 Title.**

[This subchapter](#) shall be known and may be cited as the “*Uniform Sales and Use Tax Administration Act*”.

[2003 Acts, 1st Ex, ch 2, §100, 205](#)

**423.7A Motor vehicle lease tax.** Repealed by 2003 Acts, 1st Ex, ch 2, §151, 205. See [§423.26](#).

**423.8 Legislative finding and intent.**

1. The general assembly finds that Iowa should enter into an agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce.

2. It is the intent of the general assembly that entering into this agreement will lead to simplification and modernization of the sales and use tax law and not to the imposition of new taxes or an increase or decrease in the existing number of exemptions, unless such a result is unavoidable under the terms of the agreement. Entering into this agreement should not cause businesses to sustain additional administrative burden.

3. It is the intent of the general assembly to provide Iowa sellers impacted by the agreement with the assistance necessary to alleviate administrative burdens that result in participation in the agreement.

[2003 Acts, 1st Ex, ch 2, §101, 205; 2006 Acts, ch 1158, §47; 2018 Acts, ch 1026, §134](#)

**423.9 Authority to enter agreement — representatives on governing board.**

1. The director is authorized and directed to enter into the streamlined sales and use tax agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce.

2. The director is further authorized to take other actions reasonably required to implement the provisions set forth in [this chapter](#). Other actions authorized by [this section](#) include, but are not limited to, the adoption of rules and the joint procurement, with other member states, of goods and services in furtherance of the cooperative agreement.

3. Four representatives are authorized to be members of the governing board established pursuant to the agreement and to represent Iowa before that body as one vote. The legislator representatives shall serve terms as provided in [section 69.16B](#). The representatives shall be appointed as follows:

a. One representative shall be a member of the house of representatives who is appointed by the speaker of the house of representatives or the delegate’s designee who shall also be a member of the house of representatives.

b. One representative shall be a member of the senate who is appointed by the majority leader of the senate or the delegate’s designee who shall also be a member of the senate.

c. Two representatives from the executive branch shall be appointed by the governor, one of whom shall be the director, or each delegate’s designee who shall also be employed by the executive branch.

[2003 Acts, 1st Ex, ch 2, §102, 205; 2006 Acts, ch 1158, §48; 2008 Acts, ch 1156, §46, 58](#)

Referred to in [§423.9A](#)

**423.9A Iowa streamlined sales tax advisory council.**

1. An Iowa streamlined sales tax advisory council is created. The advisory council shall review, study, and submit recommendations to the Iowa streamlined sales and use tax representatives appointed pursuant to [section 423.9, subsection 3](#), regarding the streamlined

sales and use tax agreement formalized by the project's member states on November 12, 2002, agreement amendments, proposed language conforming Iowa's sales and use tax to the national agreement, and the following issues:

- a. Uniform definitions proposed in the current agreement and future proposals.
  - b. Effects upon taxability of items newly defined in Iowa.
  - c. Impacts upon business as a result of the agreement.
  - d. Technology implementation issues.
  - e. Any other issues that are brought before the streamlined sales and use tax member states or the streamlined sales and use tax governing board.
2. The department shall provide administrative support to the Iowa streamlined sales tax advisory council. The advisory council shall be representative of Iowa's business community and economy when reviewing and recommending solutions to streamlined sales and use tax issues. The advisory council shall provide the general assembly and the governor with final recommendations made to the Iowa streamlined sales and use tax representatives upon the conclusion of each calendar year.
3. The director, in consultation with the Iowa taxpayers association, Iowa retail federation, and the Iowa association of business and industry, shall appoint members to the Iowa streamlined sales tax advisory council, which shall consist of the following members:
- a. One member from the department.
  - b. Three members representing small Iowa businesses, at least one of whom shall be a retailer, and at least one of whom shall be a supplier.
  - c. Three members representing medium Iowa businesses, at least one of whom shall be a retailer, and at least one of whom shall be a supplier.
  - d. Three members representing large Iowa businesses, at least one of whom shall be a retailer, and at least one of whom shall be a supplier.
  - e. One member representing taxpayers as a whole.
  - f. One member representing the retail community as a whole.
  - g. Any other member representative of business the director deems appropriate.
- [2006 Acts, ch 1158, §49](#); [2007 Acts, ch 22, §76](#)

#### **423.10 Relationship to state law.**

Entry into the agreement by the director does not amend or modify any law of this state. Implementation of any condition of the agreement in this state, whether adopted before, at, or after membership of this state in the agreement, shall be by action of the general assembly.

[2003 Acts, 1st Ex, ch 2, §103, 205](#)

#### **423.11 Agreement requirements.**

The director shall not enter into the agreement unless the agreement requires each state to abide by the following requirements:

1. *Uniform state rate.* The agreement must set restrictions to achieve more uniform state rates through the following:
  - a. Limiting the number of state rates.
  - b. Limiting the application of maximums on the amount of state tax that is due on a transaction.
  - c. Limiting the application of thresholds on the application of state tax.
2. *Uniform standards.* The agreement must establish uniform standards for the following:
  - a. The sourcing of transactions to taxing jurisdictions.
  - b. The administration of exempt sales.
  - c. The allowances a seller can take for bad debts.
  - d. Sales and use tax returns and remittances.
3. *Uniform definitions.* The agreement must require states to develop and adopt uniform definitions of sales and use tax terms. The definitions must enable a state to preserve its ability to make policy choices not inconsistent with the uniform definitions.
4. *Central registration.* The agreement must provide a central, electronic registration

system that allows a seller to register to collect and remit sales and use taxes for all member states.

5. *No nexus attribution.* The agreement must provide that registration with the central registration system and the collection of sales and use taxes in the member states must not be used as a factor in determining whether the seller has nexus with a state for any tax.

6. *Local sales and use taxes.* The agreement must provide for reduction of the burdens of complying with local sales and use taxes through the following:

a. Restricting variances between the state and local tax bases.

b. Requiring states to administer any sales and use taxes levied by local jurisdictions within the state so that sellers collecting and remitting these taxes must not have to register or file returns with, remit funds to, or be subject to independent audits from local taxing jurisdictions.

c. Restricting the frequency of changes in the local sales and use tax rates and setting effective dates for the application of local jurisdictional boundary changes to local sales and use taxes.

d. Providing notice of changes in local sales and use tax rates and of changes in the boundaries of local taxing jurisdictions.

7. *Monetary allowances.* The agreement must outline any monetary allowances that are to be provided by the states to sellers or certified service providers.

8. *State compliance.* The agreement must require each state to certify compliance with the terms of the agreement prior to joining and to maintain compliance, under the laws of the member state, with all provisions of the agreement while a member.

9. *Consumer privacy.* The agreement must require each state to adopt a uniform policy for certified service providers that protects the privacy of consumers and maintains the confidentiality of tax information.

10. *Advisory councils.* The agreement must provide for the appointment of an advisory council of private sector representatives and an advisory council of nonmember state representatives to consult with in the administration of the agreement.

[2003 Acts, 1st Ex, ch 2, §104, 205](#)

Referred to in [§423.1](#)

#### **423.12 Limited binding and beneficial effect.**

1. The agreement binds and inures only to the benefit of Iowa and the other member states. A person, other than a member state, is not an intended beneficiary of the agreement. Any benefit to a person other than a member state is established by the law of Iowa and not by the terms of the agreement.

2. A person shall not have any cause of action or defense under the agreement or by virtue of this state's entry into the agreement. A person may not challenge, in any action brought under any provision of law, any action or inaction by any department, agency, or other instrumentality of this state, or any political subdivision of this state on the ground that the action or inaction is inconsistent with the agreement.

3. A law of this state, or the application of it, shall not be declared invalid as to any such person or circumstance on the ground that the provision or application is inconsistent with the agreement.

[2003 Acts, 1st Ex, ch 2, §105, 205](#)

SUBCHAPTER V  
SALES AND USE TAX ACT  
ADMINISTRATION — RETAILERS  
NOT REGISTERED UNDER  
AGREEMENT — CONSUMERS OBLIGATED  
TO PAY USE TAX DIRECTLY

**423.13 Purpose of this subchapter.**

The purpose of this [subchapter](#) is to provide for the administration and collection of sales or use tax on the part of retailers who are not registered under the agreement and for the collection of use tax on the part of consumers who are obligated to pay that tax directly. Any application of the sections of [this subchapter](#) to retailers registered under the agreement is only by way of incorporation by reference into [subchapter VI](#) of [this chapter](#).

[2003 Acts, 1st Ex, ch 2, §106, 205](#)

**423.13A Administration — effectiveness of agreements with retailers.**

1. Notwithstanding any provision of [this chapter](#) to the contrary, any ruling, agreement, or contract, whether written or oral, express or implied, entered into after July 1, 2013, between a retailer and a state agency that provides that a retailer is not required to collect sales and use tax in this state despite the presence in this state of a warehouse, distribution center, or fulfillment center that is owned and operated by the retailer or an affiliate of the retailer shall be null and void unless such ruling, agreement, or contract is approved, by resolution, by a majority vote of each house of the general assembly.

2. For purposes of [this section](#), “state agency” means the executive branch, including any executive department, commission, board, institution, division, bureau, office, agency, or other entity of state government. “State agency” does not mean the general assembly, or the judicial branch as provided in [section 602.1102](#).

[2013 Acts, ch 122, §2](#)

**423.14 Sales and use tax collection.**

1. *a.* Sales tax, other than that described in paragraph “c”, shall be collected by sellers who are retailers or by their agents. Sellers or their agents shall, as far as practicable, add the sales tax, or the average equivalent thereof, to the sales price or charge, less trade-ins allowed and taken and when added such tax shall constitute a part of the sales price or charge, shall be a debt from consumer or user to seller or agent until paid, and shall be recoverable at law in the same manner as other debts.

*b.* In computing the tax to be collected as the result of any transaction, the tax computation must be carried to the third decimal place. Whenever the third decimal place is greater than four, the tax must be rounded up to the next whole cent; whenever the third decimal place is four or less, the tax must be rounded downward to a whole cent. Sellers may elect to compute the tax due on transactions on an item or invoice basis. Sellers are not required to use a bracket system.

*c.* The tax imposed upon those sales of motor fuel which are subject to tax and refund under [chapter 452A](#) shall be collected by the state treasurer by way of deduction from refunds otherwise allowable under that chapter. The treasurer shall transfer the amount of such deductions from the motor vehicle fuel tax fund to the special tax fund.

2. Use tax shall be collected in the following manner:

*a.* The tax upon the use of all vehicles subject only to the issuance of a certificate of title shall be collected by the county treasurer or the state department of transportation pursuant to [section 423.26, subsection 1](#). The county treasurer shall retain one dollar from each tax payment collected, to be credited to the county general fund.

*b.* The tax upon the use of all tangible personal property and specified digital products other than that enumerated in paragraph “a”, which is sold by a seller who is a retailer or its agent that is not otherwise required to collect sales tax under the provisions of [this chapter](#),

may be collected by the retailer or agent and remitted to the department, pursuant to the provisions of paragraph “e”, and [sections 423.24, 423.29, 423.30, 423.31, and 423.33](#).

c. The tax upon the use of all tangible personal property and specified digital products not paid pursuant to paragraphs “a” and “b” shall be paid to the department directly by any person using the property within this state, pursuant to the provisions of [section 423.34](#).

d. The tax imposed on the use of services enumerated in [section 423.5](#) shall be collected, remitted, and paid to the department of revenue in the same manner as use tax on tangible personal property is collected, remitted, and paid under [this subchapter](#).

e. All persons obligated by paragraph “a”, “b”, or “d”, to collect use tax shall, as far as practicable, add that tax, or the average equivalent thereof, to the purchase price, less trade-ins allowed and taken, and when added the tax shall constitute a part of the purchase price. Use tax which [this section](#) requires to be collected by a retailer and any tax collected pursuant to [this section](#) by a retailer shall constitute a debt owed by the retailer to this state. Tax which must be paid directly to the department, pursuant to paragraph “c” or “d”, is to be computed and added by the consumer or user to the purchase price in the same manner as this paragraph requires a seller to compute and add the tax. The tax shall be a debt from the consumer or user to the department until paid, and shall be recoverable at law in the same manner as other debts.

[2003 Acts, 1st Ex, ch 2, §107, 205; 2006 Acts, ch 1142, §83; 2008 Acts, ch 1113, §43; 2010 Acts, ch 1108, §5, 15; 2018 Acts, ch 1161, §202, 229; 2021 Acts, ch 151, §6; 2022 Acts, ch 1138, §11](#)

Referred to in [§99G.30A, 321.105A, 331.557, 421.26, 423.14A, 423.33, 423.35, 423.57, 423.58, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5](#)

#### **423.14A Persons required to collect sales and use tax — supplemental conditions, requirements, and responsibilities.**

1. For purposes of [this section](#):

a. “Iowa sales” means sales of tangible personal property, services, or specified digital products sourced to this state pursuant to [section 423.15, 423.16, 423.17, 423.19, or 423.20](#), or that are otherwise sold in this state or for delivery into this state.

b. (1) “Marketplace facilitator” means a person, including any affiliate of the person, who facilitates a retail sale by satisfying subparagraph divisions (a) and (b) as follows:

(a) The person directly or indirectly does any of the following:

(i) Lists, makes available, or advertises tangible personal property, services, or specified digital products for sale by a marketplace seller in a marketplace owned, operated, or controlled by the person.

(ii) Facilitates the sale of a marketplace seller’s product through a marketplace by transmitting or otherwise communicating an offer or acceptance of a retail sale of tangible personal property, services, or specified digital products between a marketplace seller and a purchaser in a forum including a shop, store, booth, catalog, internet site, or similar forum.

(iii) Owns, rents, licenses, makes available, or operates any electronic or physical infrastructure or any property, process, method, copyright, trademark, or patent that connects marketplace sellers to purchasers for the purpose of making retail sales of tangible personal property, services, or specified digital products.

(iv) Provides a marketplace for making retail sales of tangible personal property, services, or specified digital products, or otherwise facilitates retail sales of tangible personal property, services, or specified digital products, regardless of ownership or control of the tangible personal property, services, or specified digital products that are the subject of the retail sale.

(v) Provides software development or research and development activities related to any activity described in this subparagraph division (a), if such software development or research and development activities are directly related to the physical or electronic marketplace provided by a marketplace provider.

(vi) Provides or offers fulfillment or storage services for a marketplace seller.

(vii) Sets prices for a marketplace seller’s sale of tangible personal property, services, or specified digital products.

(viii) Provides or offers customer service to a marketplace seller or a marketplace seller’s

customers, or accepts or assists with taking orders, returns, or exchanges of tangible personal property, services, or specified digital products sold by a marketplace seller.

(ix) Brands or otherwise identifies sales as those of the marketplace facilitator.

(b) The person directly or indirectly does any of the following:

(i) Collects the sales price or purchase price of a retail sale of tangible personal property, services, or specified digital products.

(ii) Provides payment processing services for a retail sale of tangible personal property, services, or specified digital products.

(iii) Charges, collects, or otherwise receives selling fees, listing fees, referral fees, closing fees, fees for inserting or making available tangible personal property, services, or specified digital products on a marketplace, or other consideration from the facilitation of a retail sale of tangible personal property, services, or specified digital products, regardless of ownership or control of the tangible personal property, services, or specified digital products that are the subject of the retail sale.

(iv) Through terms and conditions, agreements, or arrangements with a third party, collects payment in connection with a retail sale of tangible personal property, services, or specified digital products from a purchaser and transmits that payment to the marketplace seller, regardless of whether the person collecting and transmitting such payment receives compensation or other consideration in exchange for the service.

(v) Provides a virtual currency that purchasers are allowed or required to use to purchase tangible personal property, services, or specified digital products.

(2) “*Marketplace facilitator*” includes but is not limited to a person who satisfies the requirements of this paragraph through the ownership, operation, or control of a digital distribution service, digital distribution platform, online portal, or application store.

(3) A person who is not required to collect and remit automobile rental excise tax pursuant to [section 423C.3, subsection 3](#), shall not be considered a “*marketplace facilitator*” with respect to any sale of a transportation service under [section 423.2, subsection 6](#), paragraph “*bf*”, or [section 423.5, subsection 1](#), paragraph “*d*”, consisting of the rental of vehicles subject to registration which are registered for a gross weight of thirteen tons or less for a period of sixty days or less.

c. “*Marketplace seller*” means any of the following:

(1) A seller that makes retail sales through any physical or electronic marketplace owned, operated, or controlled by a marketplace facilitator, even if such seller would not have been required to collect and remit sales and use tax had the sale not been made through such marketplace.

(2) A seller that makes retail sales resulting from a referral by a referrer, even if such seller would not have been required to collect and remit sales and use tax had the sale not been made through such referrer.

2. In addition to and not in lieu of any application of [this chapter](#) to sellers who are retailers and sellers who are retailers maintaining a place of business in this state, any person described in [subsection 3](#), or the person’s agents, shall be considered a retailer in this state and a retailer maintaining a place of business in this state for purposes of [this chapter](#) on or after January 1, 2019, and shall be subject to all requirements of [this chapter](#) imposed on retailers and retailers maintaining a place of business in this state, including but not limited to the requirement to collect and remit sales and use taxes pursuant to [sections 423.14 and 423.29](#), and local option taxes under [chapter 423B](#).

3. a. A retailer that has gross revenue from Iowa sales equal to or exceeding one hundred thousand dollars for an immediately preceding calendar year or a current calendar year.

b. (1) A retailer that owns, licenses, or uses software or data files that are installed or stored on property used in this state. For purposes of this subparagraph, “*software or data files*” include but are not limited to software that is affirmatively downloaded by a user, software that is downloaded as a result of the use of a website, preloaded software, and cookies.

(2) A retailer that uses in-state software to make Iowa sales. For purposes of this subparagraph, “*in-state software*” means computer software that is installed or stored

on property located in this state or that is distributed within this state for the purpose of facilitating a sale by the retailer.

(3) A retailer that provides, or enters into an agreement with another person to provide, a content distribution network in this state to facilitate, accelerate, or enhance the delivery of the retailer's internet site to purchasers. For purposes of this subparagraph, "*content distribution network*" means a system of distributed servers that deliver internet sites and other internet content to a user based on the geographic location of the user, the origin of the internet site or internet content, and a content delivery server.

(4) This paragraph "b" shall not apply to a retailer that has gross revenue from Iowa sales of less than one hundred thousand dollars for an immediately preceding calendar year or a current calendar year.

c. (1) A marketplace facilitator that makes or facilitates Iowa sales on its own behalf or for one or more marketplace sellers equal to or exceeding one hundred thousand dollars for an immediately preceding calendar year or a current calendar year.

(2) A marketplace facilitator shall collect sales and use tax on the entire sales price or purchase price paid by a purchaser on each Iowa sale subject to sales and use tax that is made or facilitated by the marketplace facilitator, regardless of whether the marketplace seller for whom an Iowa sale is made or facilitated has or is required to have a sales or use tax permit or would have been required to collect sales and use tax had the sale not been facilitated by the marketplace facilitator, and regardless of the amount of the sales price or purchase price that will ultimately accrue to or benefit the marketplace facilitator, the marketplace seller, or any other person. This sales and use tax collection responsibility of a marketplace facilitator applies but shall not be limited to sales facilitated through a computer software application, commonly referred to as in-app purchases, or through another specified digital product.

(3) A marketplace facilitator shall be relieved of liability under this paragraph "c" for failure to collect and remit sales and use tax on an Iowa sale made or facilitated for a marketplace seller under the following circumstances and up to the amounts permitted under the following circumstances:

(a) If the marketplace facilitator demonstrates to the satisfaction of the department that the marketplace facilitator has made a reasonable effort to obtain accurate information from the marketplace seller about a retail sale and that the failure to collect and remit the correct tax was due to incorrect information provided to the marketplace facilitator by the marketplace seller, then the marketplace facilitator shall be relieved of liability for that retail sale. This subparagraph division does not apply with regard to a retail sale for which the marketplace facilitator is the seller or if the marketplace facilitator and the seller are affiliates. For Iowa sales for which a marketplace facilitator is relieved of liability under this subparagraph division, the marketplace seller and purchaser are liable for any amount of uncollected, unpaid, or unremitted tax.

(b) (i) Subject to the limitation in subparagraph subdivision (ii), if the marketplace facilitator demonstrates to the satisfaction of the department that the Iowa sale was made or facilitated for a marketplace seller prior to January 1, 2026, through a marketplace of the marketplace facilitator, that the marketplace facilitator is not the seller and that the marketplace facilitator and the seller are not affiliates, and that the failure to collect sales and use tax was due to an error other than an error in sourcing the sale. To the extent that a marketplace facilitator is relieved of liability for collection of sales and use tax under this subparagraph division, the marketplace seller for whom the marketplace facilitator has made or facilitated the Iowa sale is also relieved of liability. The department may determine the manner in which a marketplace facilitator or marketplace seller shall claim the liability relief provided in this subparagraph division.

(ii) The liability relief provided in subparagraph subdivision (i) shall not exceed the following percentage of the total sales and use tax due on Iowa sales made or facilitated by a marketplace facilitator for marketplace sellers and sourced to this state during a calendar year, which Iowa sales shall not include sales by the marketplace facilitator or affiliates of the marketplace facilitator:

(A) For Iowa sales made or facilitated during the 2019 calendar year, ten percent.

(B) For Iowa sales made or facilitated during calendar years 2020 through 2024, five percent.

(C) For Iowa sales made or facilitated during the 2025 calendar year, three percent.

(c) Nothing in this subparagraph (3) shall be construed to relieve any person of liability for collecting but failing to remit to the department sales and use tax.

(d) A marketplace facilitator is deemed to be an agent of any marketplace seller making retail sales through a marketplace of the marketplace facilitator.

d. (1) A referrer if, for any immediately preceding calendar year or a current calendar year, one hundred thousand dollars or more in Iowa sales result from referrals from a platform of the referrer. A referrer is not required to collect and remit sales and use tax pursuant to this paragraph if the referrer does all of the following:

(a) The referrer posts a conspicuous notice on each platform of the referrer that includes all of the following:

(i) A statement that sales or use tax is due on certain purchases.

(ii) A statement that the marketplace seller from whom the person is purchasing on the platform may or may not collect and remit sales and use tax on a purchase.

(iii) A statement that Iowa requires the purchaser to pay sales or use tax and file sales or use tax returns if sales or use tax is not collected at the time of the sale by the marketplace seller.

(iv) Information informing the purchaser that the notice is provided under the requirements of this subparagraph.

(v) Instructions for obtaining additional information from the department regarding whether and how to remit sales and use tax to the state of Iowa.

(b) The referrer provides a monthly notice to each marketplace seller to whom the referrer made a referral of a potential customer located in Iowa during the previous calendar year, which monthly notice shall contain all of the following:

(i) A statement that Iowa imposes a sales or use tax on Iowa sales.

(ii) A statement that a marketplace facilitator or other retailer making Iowa sales must collect and remit sales and use tax.

(iii) Instructions for obtaining additional information from the department regarding the collection and remittance of Iowa sales and use tax.

(c) The referrer provides the department with annual reports in an electronic format and in the manner prescribed by the department, which annual reports contain all of the following:

(i) A list of marketplace sellers who received the referrer's notice under subparagraph division (b).

(ii) A list of marketplace sellers that collect and remit Iowa sales and use tax and that list or advertise the marketplace seller's products for sale on a platform of the referrer.

(iii) An affidavit signed under penalty of perjury from an officer of the referrer affirming that the referrer made reasonable efforts to comply with the applicable sales and use tax notice and reporting requirements of this subparagraph.

(2) A referrer is deemed to be an agent of any marketplace seller making retail sales resulting from a referral of the referrer.

(3) For purposes of this paragraph:

(a) "Platform" means an electronic or physical medium, including but not limited to an internet site or catalog, that is owned, operated, or controlled by a referrer.

(b) "Referral" means the transfer through telephone, internet link, or other means by a referrer of a potential customer to a retailer or seller who advertises or lists products for sale on a platform of the referrer.

(c) (i) "Referrer" means a person who does all of the following:

(A) Contracts or otherwise agrees with a retailer, seller, or marketplace facilitator to list or advertise for sale a product of the retailer, seller, or marketplace facilitator on a platform, provided such listing or advertisement identifies whether or not the retailer, seller, or marketplace facilitator collects sales and use tax.

(B) Receives a commission, fee, or other consideration from the retailer, seller, or marketplace facilitator for the listing or advertisement.

(C) Provides referrals to a retailer, seller, or marketplace facilitator, or an affiliate of a retailer, seller, or marketplace facilitator.

(D) Does not collect money or other consideration from the customer for the transaction.

(ii) “Referrer” does not include any of the following:

(A) A person primarily engaged in the business of printing or publishing a newspaper.

(B) A person who does not provide the retailer’s, seller’s, or marketplace facilitator’s shipping terms and who does not advertise whether a retailer, seller, or marketplace facilitator collects sales or use tax.

(4) This paragraph only applies to referrals by a referrer and shall not preclude the applicability of other provisions of [this section](#) to a person who is a referrer and is also a retailer, a marketplace facilitator, or a marketplace seller.

(5) This paragraph is subject to implementation by the department by rule and shall not require a referrer to collect tax or comply with the notice and reporting requirements and other provisions of this paragraph unless and until such administrative rules take effect.

e. (1) A retailer that makes Iowa sales through the use of a solicitor. For purposes of this paragraph, “solicitor” means a person that directly or indirectly solicits business for a retailer.

(2) (a) A retailer is deemed to have a solicitor in this state if the retailer enters into an agreement with a resident under which the resident, for a commission, fee, or other similar consideration, directly or indirectly refers potential customers, whether by link on an internet site, or otherwise, to the retailer. This determination may be rebutted by a showing of proof that the resident with whom the retailer has an agreement did not engage in any solicitation in this state on behalf of the retailer that would satisfy the nexus requirement of the United States Constitution during the calendar year in question.

(b) This subparagraph (2) shall not apply to a retailer that has Iowa gross revenue from Iowa sales of ten thousand dollars or less for an immediately preceding calendar year or a current calendar year.

(c) For purposes of this subparagraph (2):

(i) “Iowa gross revenue” means gross revenue from Iowa sales to purchasers who were referred to the retailer by all solicitors who are residents.

(ii) “Resident” includes an individual who is a resident of this state, as defined in [section 422.4](#), and any business that owns any tangible or intangible property with a situs in this state, or that has one or more employees performing or providing services for the business in this state.

(d) This paragraph “e” does not apply to [chapter 422](#) and does not expand or contract the state’s jurisdiction to tax a trade or business under [chapter 422](#).

f. A retailer that owns, controls, rents, licenses, makes available, or uses any tangible or intangible property in this state or with a situs in this state, to make or otherwise facilitate a retail sale.

g. (1) Any person that enters into a contract or agreement with a governmental entity, including but not limited to contracts for the provision of financial assistance or incentives such as a tax credit, forgivable loan, grant, tax rebate, or any other thing of value. For purposes of this subparagraph, “governmental entity” means any unit of government in the executive, legislative, or judicial branch, or any political subdivision of the state, including but not limited to a city, county, township, or school district.

(2) Every bid submitted and each contract or agreement executed by a state agency shall contain a certification by the bidder or contractor stating that the bidder or contractor is registered with the department pursuant to [this chapter](#) and will collect and remit Iowa sales and use tax due under [this chapter](#). In the certification, the bidder or contractor shall also acknowledge that the state agency may declare the contractor or bid void if the certification is false or becomes false. Fraudulent certification, by act or omission, may result in the state agency or its representative filing for damages for breach of contract.

h. Any affiliate of any person that is required to collect and remit sales and use tax under [this chapter](#), provided the affiliate makes retail sales.

[2018 Acts, ch 1161, §203, 229; 2019 Acts, ch 152, §25 – 29, 35; 2022 Acts, ch 1138, §12](#)

Referred to in [§421.26, 423.1, 423.3, 423.14B, 423.15, 423.33, 423.57, 423.58, 423B.6](#)

### **423.14B Sales and use tax reporting requirements — penalties.**

1. For purposes of [this section](#), “Iowa sales” and “marketplace facilitator” all mean the same as defined in [section 423.14A](#).

2. The department may, in its discretion, adopt rules pursuant to [chapter 17A](#) establishing and imposing notice and reporting requirements related to Iowa sales for retailers, including but not limited to marketplace facilitators, who do not collect and remit sales and use tax under [this chapter](#). The rules may include but are not limited to rules requiring retailers, including but not limited to marketplace facilitators, to do any of the following:

a. Notify purchasers at the time of an Iowa sales transaction of sales and use tax obligations under [this chapter](#).

b. Provide purchasers with periodic reports of purchases that are Iowa sales.

c. Provide the department with annual reports that include but are not limited to information relating to purchases, purchasers, and Iowa sales.

3. a. The department may adopt rules pursuant to [chapter 17A](#) establishing and imposing penalties as described in and subject to the dollar limitations of paragraph “b”, provided that any such penalty shall include a procedure for waiver of the penalty upon a showing of reasonable cause for such failure.

b. (1) The department may impose penalties for failure to provide a notification to a purchaser in the manner and form prescribed by the department by rule. Such penalties shall not exceed five dollars for each failure.

(2) The department may impose penalties for failure to provide a purchaser with a periodic report of purchases in the manner and form prescribed by the department by rule. Such penalties shall not exceed ten dollars for each failure.

(3) The department may impose penalties for failure to provide the department with an annual report in the manner and form prescribed by the department. Such penalties shall not exceed an amount per annual report equal to ten dollars multiplied by the number of purchasers for whom information should have been but was not included in the annual report.

[2018 Acts, ch 1161, §204, 229](#)

Referred to in [§423.57](#), [423.58](#)

### **423.15 General sourcing rules.**

All sales of tangible personal property, services, or specified digital products, except those sales enumerated in [section 423.16](#), shall be sourced according to [this section](#) by sellers obligated to collect Iowa sales and use tax. The sourcing rules described in [this section](#) apply to sales of tangible personal property, specified digital products, and all services other than telecommunications services. [This section](#) only applies to determine a seller’s obligation to pay or collect and remit Iowa sales or use tax with respect to the seller’s sale of a product. [This section](#) does not affect the obligation of a purchaser or lessee to remit tax on the use of the product to the taxing jurisdictions in which the use occurs. A seller’s obligation to collect Iowa sales tax or Iowa use tax only occurs if the sale is sourced to this state. Iowa sales tax applies to a sale sourced to Iowa made by a seller subject to [section 423.1](#), [subsection 48](#), or [section 423.14A](#).

1. Sales, excluding leases or rentals, of products shall be sourced as follows:

a. When the product is received by the purchaser at a business location of the seller, the sale is sourced to that business location.

b. When the product is not received by the purchaser at a business location of the seller, the sale is sourced to the location where receipt by the purchaser or the purchaser’s donee, designated as such by the purchaser, occurs, including the location indicated by instructions for delivery to the purchaser or donee, known to the seller.

c. When paragraphs “a” and “b” do not apply, the sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller’s business when use of this address does not constitute bad faith.

d. When paragraphs “a”, “b”, and “c” do not apply, the sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale,

including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith.

e. When paragraphs "a", "b", "c", and "d" do not apply, including the circumstance where the seller is without sufficient information to apply the previous rules, then the location will be determined by the address from which tangible personal property was shipped, from which the specified digital product or the computer software delivered electronically was first available for transmission by the seller, or from which the service was provided disregarding for these purposes any location that merely provided the digital transfer of the product sold.

2. The lease or rental of tangible personal property, other than property identified in [subsection 3](#) or [section 423.16](#), shall be sourced as follows:

a. For a lease or rental that requires recurring periodic payments, the first periodic payment is sourced the same as a retail sale in accordance with the provisions of [subsection 1](#). Periodic payments made subsequent to the first payment are sourced to the primary property location for each period covered by the payment. The primary property location shall be as indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. The property location shall not be altered by intermittent use at different locations, such as use of business property that accompanies employees on business trips and service calls.

b. For a lease or rental that does not require recurring periodic payments, the payment is sourced the same as a retail sale in accordance with the provisions of [subsection 1](#).

c. [This subsection](#) does not affect the imposition or computation of sales or use tax on leases or rentals based on a lump sum or accelerated basis, or on the acquisition of property for lease.

3. The retail sale, including lease or rental, of transportation equipment shall be sourced the same as a retail sale in accordance with the provisions of [subsection 1](#), notwithstanding the exclusion of lease or rental in that subsection. "Transportation equipment" means any of the following:

a. Locomotives or railcars that are utilized for the carriage of persons or property in interstate commerce.

b. Trucks and truck-tractors with a gross vehicle weight rating of ten thousand one pounds or greater, trailers, semitrailers, or passenger buses that meet both of the following requirements:

(1) Are registered through the international registration plan.

(2) Are operated under authority of a carrier authorized and certificated by the United States department of transportation or another federal authority to engage in the carriage of persons or property in interstate commerce.

c. Aircraft that are operated by air carriers authorized and certificated by the United States department of transportation or another federal or a foreign authority to engage in the carriage of persons or property in interstate or foreign commerce.

d. Containers designed for use on and component parts attached or secured on the items set forth in paragraphs "a" through "c".

[2003 Acts, 1st Ex, ch 2, §108, 205; 2005 Acts, ch 140, §12; 2011 Acts, ch 92, §8; 2018 Acts, ch 1161, §205, 206, 229](#)

Referred to in [§99G.30A](#), [423.14A](#), [423.16](#), [423.17](#), [423.19](#), [423.20](#), [423.57](#), [423B.5](#), [423B.6](#), [423C.4](#)

#### **423.16 Transactions to which the general sourcing rules do not apply.**

[Section 423.15](#) does not apply to sales or use taxes levied on the following:

1. The retail sale or transfer of watercraft, modular homes, or mobile homes, and the retail sale, excluding lease or rental, of motor vehicles, trailers, semitrailers, or aircraft that do not qualify as transportation equipment, as defined in [section 423.15, subsection 3](#).

2. The lease or rental of motor vehicles, trailers, semitrailers, or aircraft that do not qualify as transportation equipment, as defined in [section 423.15, subsection 3](#), which shall be sourced in accordance with [section 423.17](#).

3. Transactions to which direct mail sourcing is applicable, which shall be sourced in accordance with [section 423.19](#).

4. Telecommunications services, as set out in [section 423.20](#), which shall be sourced in accordance with [section 423.20, subsection 2](#).

[2003 Acts, 1st Ex, ch 2, §109, 205; 2007 Acts, ch 179, §2; 2010 Acts, ch 1108, §6, 15](#)

Referred to in [§423.14A, 423.15, 423.57](#)

**423.17 Sourcing rules for various types of leased or rented equipment which is not transportation equipment.**

The lease or rental of motor vehicles, trailers, semitrailers, or aircraft that do not qualify as transportation equipment, as defined in [section 423.15, subsection 3](#), shall be sourced as follows:

1. For a lease or rental that requires recurring periodic payments, each periodic payment is sourced to the primary property location. The primary property location shall be as indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. This location shall not be altered by intermittent use at different locations.

2. For a lease or rental that does not require recurring periodic payments, the payment is sourced the same as a retail sale in accordance with the provisions of [section 423.15, subsection 1](#).

3. [This section](#) does not affect the imposition or computation of sales or use tax on leases or rentals based on a lump sum or accelerated basis, or on the acquisition of property for lease.

[2003 Acts, 1st Ex, ch 2, §110, 205](#)

Referred to in [§423.14A, 423.16, 423.57, 423B.5](#)

**423.18 Multiple points of use exemption forms.** Repealed by [2007 Acts, ch 179, §9](#).

**423.19 Direct mail sourcing.**

1. Notwithstanding [section 423.15](#), the following provisions apply to sales of advertising and promotional direct mail:

a. A purchaser of advertising and promotional direct mail may provide the seller with one of the following:

(1) A direct pay permit.

(2) An agreement certificate of exemption claiming to be direct mail, or a similar written statement, if the statement is approved, authorized, or accepted by the department.

(3) Information showing the jurisdiction to which the advertising and promotional direct mail is to be delivered to the recipient.

b. (1) If the purchaser provides the seller a permit, a certificate of exemption, or an approved written statement pursuant to paragraph “a”, subparagraph (1) or (2), then, in the absence of bad faith, the seller is relieved of the obligation to collect, pay, or remit tax on a transaction involving advertising and promotional direct mail to which the permit, certificate, or approved written statement applies. In such a transaction, the purchaser shall source the sale to the jurisdiction in which the advertising and promotional direct mail is to be delivered to the recipient and shall report and pay any tax due accordingly.

(2) If the purchaser provides the seller information showing the jurisdiction to which the advertising and promotional direct mail is to be delivered pursuant to paragraph “a”, subparagraph (3), the seller shall source the sale to the jurisdiction in which the advertising and promotional direct mail is to be delivered and shall collect and remit the tax due accordingly. If the seller has sourced the sale according to the delivery information provided by the purchaser, then, in the absence of bad faith, the seller is relieved of any further obligation to collect tax on the sale of the advertising and promotional direct mail.

c. (1) If the purchaser fails to provide the seller with one of the items listed in paragraph “a”, the sale shall be sourced pursuant to the sourcing directive described in [section 423.15, subsection 1, paragraph “e”](#).

(2) If a sale is sourced to this state pursuant to subparagraph (1), the full amount of the tax imposed by [subchapter II or III](#), as applicable, is due from the purchaser, notwithstanding [section 423.22](#).

2. Notwithstanding [section 423.15](#), sales of other direct mail are subject to all of the following:

a. Except as otherwise provided in [this subsection](#), the sale of other direct mail shall be sourced pursuant to the sourcing directive described in [section 423.15, subsection 1, paragraph “c”](#).

b. A purchaser of other direct mail may provide the seller with either of the following:

(1) A direct pay permit.

(2) An agreement certificate of exemption claiming to be direct mail, or a similar written statement, if the statement is approved, authorized, or accepted by the department.

c. (1) If the purchaser provides the seller a permit, a certificate of exemption, or an approved written statement pursuant to paragraph “b”, then, in the absence of bad faith, the seller is relieved of the obligation to collect, pay, or remit tax on a transaction involving other direct mail to which the permit, certificate, or approved written statement applies.

(2) Notwithstanding paragraph “a”, the sale of other direct mail under the circumstances described in subparagraph (1) shall be sourced to the jurisdiction in which the other direct mail is to be delivered to the recipient, and the purchaser shall report and pay any tax due accordingly.

[2003 Acts, 1st Ex, ch 2, §112, 205; 2011 Acts, ch 92, §9](#)

Referred to in [§423.14A, 423.16, 423.57, 423B.5](#)

#### **423.20 Telecommunications service sourcing.**

1. As used in [this section](#):

a. “*Air-to-ground radiotelephone service*” means a radio service, as that term is used in [47 C.F.R. §22.99](#), in which common carriers are authorized to offer and provide radio telecommunications service for hire to subscribers in aircraft.

b. “*Call-by-call basis*” means any method of charging for the telecommunications service where the price is measured by individual calls.

c. “*Communications channel*” means a physical or virtual path of communications over which signals are transmitted between or among customer channel termination points.

d. “*Customer*” means the person or entity that contracts with the seller of the telecommunications service. If the end user of the telecommunications service is not the contracting party, the end user of the telecommunications service is the customer of the telecommunications service, but this sentence only applies for the purpose of sourcing sales of the telecommunications service under [this section](#). “*Customer*” does not include a reseller of a telecommunications service or for mobile telecommunications service of a serving carrier under an agreement to serve the customer outside the home service provider’s licensed service area.

e. “*Customer channel termination point*” means the location where the customer either inputs or receives the communications.

f. “*End user*” means the person who utilizes the telecommunications service. In the case of an entity, “*end user*” means the individual who utilizes the service on behalf of the entity.

g. “*Home service provider*” means the same as that term is defined in the federal Mobile Telecommunications Sourcing Act, Pub. L. No. 106-252, 4 U.S.C. §124(5).

h. “*Mobile telecommunications service*” means the same as that term is defined in the federal Mobile Telecommunications Sourcing Act, Pub. L. No. 106-252, 4 U.S.C. §124(7).

i. “*Place of primary use*” means the street address representative of where the customer’s use of the telecommunications service primarily occurs, which must be the residential street address or the primary business street address of the customer. In the case of mobile telecommunications service, “*place of primary use*” must be within the licensed service area of the home service provider.

j. “*Postpaid calling service*” means the telecommunications service obtained by making a payment on a call-by-call basis either through the use of a credit card or payment mechanism such as a bank card, travel card, credit card, or debit card, or by charge made to a telephone number which is not associated with the origination or termination of the telecommunications service. A “*postpaid calling service*” includes a telecommunications service, except a prepaid

wireless calling service, that would be a prepaid calling service except it is not exclusively a telecommunications service.

k. “*Prepaid calling service*” means the right to access exclusively telecommunications services, which must be paid for in advance and which enables the origination of calls using an access number or authorization code, whether manually or electronically dialed, and that is sold in predetermined units or dollars of which the amount declines with use in a known amount.

l. “*Prepaid wireless calling service*” means a telecommunications service that provides the right to utilize mobile wireless service as well as other nontelecommunications services, including the download of digital products delivered electronically, content and ancillary services, which must be paid for in advance and that is sold in predetermined units or dollars of which the amount declines with use in a known amount.

m. “*Private communication service*” means a telecommunications service that entitles the customer to exclusive or priority use of a communications channel or group of channels between or among termination points, regardless of the manner in which such channel or channels are connected, and includes switching capacity, extension lines, stations, and any other associated services that are provided in connection with the use of such channel or channels.

n. “*Service address*” means one of the following:

(1) The location of the telecommunications equipment to which a customer’s call is charged and from which the call originates or terminates, regardless of where the call is billed or paid.

(2) If the location in subparagraph (1) is not known, “*service address*” means the origination point of the signal of the telecommunications service first identified by either the seller’s telecommunications system or in information received by the seller from its service provider, where the system used to transport such signals is not that of the seller.

(3) If the locations in subparagraphs (1) and (2) are not known, the “*service address*” means the location of the customer’s place of primary use.

2. Sales of telecommunications services shall be sourced in the following manner:

a. Except for the defined telecommunications services in paragraph “c”, the sale of telecommunications services sold on a call-by-call basis shall be sourced to one of the following:

(1) Each level of taxing jurisdiction where the call originates and terminates in that jurisdiction.

(2) Each level of taxing jurisdiction where the call either originates or terminates and in which the service address is also located.

b. Except for the defined telecommunications services in paragraph “c”, a sale of telecommunications services sold on a basis other than a call-by-call basis is sourced to the customer’s place of primary use.

c. Sale of the following telecommunications services shall be sourced to each level of taxing jurisdiction as follows:

(1) A sale of mobile telecommunications services other than air-to-ground radiotelephone service, prepaid calling service, or prepaid wireless calling service is sourced to the customer’s place of primary use as required by the federal Mobile Telecommunications Sourcing Act.

(2) A sale of postpaid calling service is sourced to the origination point of the telecommunications signal as first identified by either of the following:

(a) The seller’s telecommunications system.

(b) Information received by the seller from its service provider, where the system used to transport such signals is not that of the seller.

(3) A sale of prepaid calling service or a sale of prepaid wireless calling service is sourced in accordance with [section 423.15](#). However, in the case of a sale of a prepaid wireless calling service, the rule provided in [section 423.15, subsection 1](#), paragraph “e”, shall include as an option the location associated with the mobile telephone number.

(4) A sale of a private telecommunications service is sourced as follows:

(a) Service for a separate charge related to a customer channel termination point is

sourced to each level of jurisdiction in which such customer channel termination point is located.

(b) Service where all customer termination points are located entirely within one jurisdiction or level of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located.

(c) Service for segments of a channel between two customer channel termination points located in different jurisdictions and which segments of a channel are separately charged is sourced fifty percent in each level of jurisdiction in which the customer channel termination points are located.

(d) Service for segments of a channel located in more than one jurisdiction or levels of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in such jurisdiction by the total number of customer channel termination points.

[2003 Acts, 1st Ex, ch 2, §113, 205](#); [2006 Acts, ch 1158, §72 – 74, 80](#)

Referred to in [§34A.7B, 423.14A, 423.16, 423.57, 423B.5](#)

#### **423.21 Bad debt deductions.**

1. For the purposes of [this section](#), “*bad debt*” means an amount properly calculated pursuant to section 166 of the Internal Revenue Code then adjusted to exclude financing charges or interest, sales or use taxes charged on the purchase price, uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid, expenses incurred in attempting to collect any debt, and repossessed property.

2. In computing the amount of tax due, a seller may deduct bad debts from the total amount upon which the tax is calculated for any return. Any deduction taken or refund paid which is attributed to bad debts shall not include interest.

3. A seller may deduct bad debts on the return for the period during which the bad debt is written off as uncollectible in the seller’s books and records and is eligible to be deducted for federal income tax purposes. For purposes of [this subsection](#), a seller who is not required to file federal income tax returns may deduct a bad debt on a return filed for the period in which the bad debt is written off as uncollectible in the seller’s books and records and would be eligible for a bad debt deduction for federal income tax purposes if the seller were required to file a federal income tax return.

4. If a deduction is taken for a bad debt and the seller subsequently collects the debt in whole or in part, the tax on the amount so collected must be paid and reported on the return filed for the period in which the collection is made.

5. A seller may obtain a refund of tax on any amount of bad debt that exceeds the amount of taxable sales within the period allowed for refund claims by [section 423.47](#). However, the period allowed for refund claims shall be measured from the due date of the return on which the bad debt could first be claimed.

6. For the purposes of computing a bad debt deduction or reporting a payment received on a previously claimed bad debt, any payments made on a debt or account shall be applied first to the price of the property or service and tax thereon, proportionally, and secondly to interest, service charges, and any other charges.

[2003 Acts, 1st Ex, ch 2, §114, 205](#)

Referred to in [§423.53, 423.57](#)

#### **423.22 Taxation in another state.**

If any person who causes tangible personal property or specified digital products to be brought into this state or who uses in this state services enumerated in [section 423.2](#) has already paid a tax in another state in respect to the sale or use of the property or the performance of the service, or an occupation tax in respect to the property or service, in an amount less than the tax imposed by [subchapter II](#) or [III](#), the provisions of those subchapters shall apply, but at a rate measured by the difference only between the rate fixed by [subchapter II](#) or [III](#) and the rate by which the previous tax on the sale or use, or the occupation tax, was computed. If the tax imposed and paid in the other state is equal to or

more than the tax imposed by those subchapters, then a tax is not due in this state on the personal property or service.

[2003 Acts, 1st Ex, ch 2, §115, 205](#); [2018 Acts, ch 1161, §207, 229](#)

Referred to in [§423.19](#), [423.26A](#), [423.57](#)

#### **423.23 Sellers' agreements.**

Agreements between competing sellers, or the adoption of appropriate rules and regulations by organizations or associations of sellers to provide uniform methods for adding sales or use tax or the average equivalent thereof, and which do not involve price-fixing agreements otherwise unlawful, are expressly authorized and shall be held not in violation of [chapter 553](#) or other antitrust laws of this state. The director shall cooperate with sellers, organizations, or associations in formulating agreements and rules.

[2003 Acts, 1st Ex, ch 2, §116, 205](#)

Referred to in [§99G.30A](#), [321.105A](#), [423.57](#), [423A.6](#), [423B.6](#), [423C.4](#), [423D.4](#), [423G.5](#)

#### **423.24 Absorbing tax prohibited.**

A seller shall not advertise or hold out or state to the public or to any purchaser, consumer, or user, directly or indirectly, that the taxes or any parts thereof imposed by [subchapter II](#) or [III](#) will be assumed or absorbed by the seller or the taxes will not be added to the sales price of the property sold, or if added that the taxes or any part thereof will be refunded. Any person violating any of the provisions of [this section](#) within this state is guilty of a simple misdemeanor.

[2003 Acts, 1st Ex, ch 2, §117, 205](#)

Referred to in [§99G.30A](#), [321.105A](#), [423.14](#), [423.40](#), [423.57](#), [423A.6](#), [423B.6](#), [423C.4](#), [423D.4](#), [423G.5](#)

**423.24A Reimbursement for the primary road fund.** Repealed by 2003 Acts, 1st Ex, ch 2, §151, 205. See [§321.145](#).

#### **423.25 Director's power to adopt rules.**

The director shall have the power to adopt rules for adding the taxes imposed by [subchapters II](#) and [III](#), or the average equivalents thereof, by providing different methods applying uniformly to retailers within the same general classification for the purpose of enabling the retailers to add and collect, as far as practicable, the amounts of those taxes.

[2003 Acts, 1st Ex, ch 2, §118, 205](#)

Referred to in [§99G.30A](#), [321.105A](#), [423.57](#), [423A.6](#), [423B.6](#), [423C.4](#), [423D.4](#), [423G.5](#)

#### **423.26 Vehicles subject only to the issuance of title — vehicle lease transactions not requiring title or registration.**

1. *a.* The use tax imposed upon the use of vehicles subject only to the issuance of a certificate of title shall be paid by the owner of the vehicle to the county treasurer or the state department of transportation from whom the certificate of title is obtained. A certificate of title shall not be issued until the tax has been paid. The county treasurer or the state department of transportation shall require every applicant for a certificate of title to supply information as the county treasurer or the director deems necessary as to the time of purchase, the purchase price, and other information relative to the purchase of the vehicle. On or before the tenth day of each month, the county treasurer or the state department of transportation shall remit to the department the amount of the taxes collected during the preceding month.

*b.* A person who willfully makes a false statement in regard to the purchase price of a vehicle subject to taxation under [this subsection](#) is guilty of a fraudulent practice. A person who willfully makes a false statement in regard to the purchase price of such a vehicle with the intent to evade the payment of tax shall be assessed a penalty of seventy-five percent of the amount of tax unpaid and required to be paid on the actual purchase price less trade-in allowance.

2. *a.* The use tax imposed upon the use of leased vehicles if the lease transaction does not require titling or registration of the vehicle shall be remitted to the department. Tax and the reporting of tax due to the department shall be remitted on or before fifteen days from the

last day of the month that the tax becomes due. Failure to timely report or remit any of the tax when due shall result in a penalty and interest being imposed on the tax due pursuant to [section 423.40, subsection 1](#), and [section 423.42, subsection 1](#).

b. The amount subject to tax shall be computed on each separate lease transaction by taking the total of the lease payments, plus the down payment, and excluding all of the following:

- (1) Title fee.
- (2) Registration fees.
- (3) Use tax pursuant to [this subsection](#).
- (4) Federal excise taxes attributable to the sale of the vehicle to the owner or to the lease of the vehicle by the owner.
- (5) Optional service or warranty contracts subject to tax pursuant to [section 423.2, subsection 1](#).
- (6) Insurance.
- (7) Manufacturer's rebate.
- (8) Refundable deposit.
- (9) Finance charges, if any, on items listed in subparagraphs (1) through (8).

c. If any or all of the items in paragraph "b", subparagraphs (1) through (8) are excluded from the taxable lease price, the owner shall maintain adequate records of the amounts of those items. If the parties to a lease enter into an agreement providing that the tax imposed under [this subsection](#) is to be paid by the lessee or included in the monthly lease payments to be paid by the lessee, the total cost of the tax shall not be included in the computation of lease price for the purpose of taxation under [this subsection](#).

[2003 Acts, 1st Ex, ch 2, §119, 205; 2008 Acts, ch 1113, §44; 2010 Acts, ch 1108, §7, 15](#)

Referred to in [§312.1, 321.20, 331.557, 423.5, 423.14, 423.36, 423.43](#)

Fraudulent practices, see [§714.8 - 714.14](#)

#### **423.26A Manufactured housing — collection of use tax — certificate of title.**

1. Except as provided in [subsection 3](#), the use tax imposed upon the use of manufactured housing shall be paid by the owner of the manufactured housing to the manufactured home retailer licensed under [chapter 103A](#). The owner of the manufactured housing shall also provide to the manufactured home retailer all information necessary to complete and submit an application for a certificate of title.

2. Use tax collected by the manufactured home retailer shall be forwarded to the county treasurer or the state department of transportation. The county treasurer shall retain one dollar from each tax payment collected by a manufactured home retailer and paid to the county treasurer, to be credited to the county general fund. The manufactured home retailer shall submit an application for certificate of title on behalf of the owner of the manufactured housing.

3. The use tax imposed upon the use of manufactured housing brought into the state of Iowa which has not previously been subject to the tax imposed under [this subchapter](#) and for which that tax has not been paid, shall be paid by the owner of the manufactured housing to the county treasurer or the state department of transportation from whom the certificate of title is obtained. The owner of the manufactured housing shall submit an application for a certificate of title. [Section 423.22](#) shall apply in the case where the owner has paid tax in another state.

4. The county treasurer or the state department of transportation shall require every application for a certificate of title to include information as the county treasurer or the director deems necessary as to the time of purchase, the purchase price, installed purchase price, and other information relative to the purchase of the manufactured housing.

5. A certificate of title shall not be issued until the tax has been paid. A certificate of title shall be delivered to the owner of the manufactured housing by the county treasurer or state department of transportation who received the use tax.

6. On or before the tenth day of each month, the county treasurer or the state department of transportation shall remit to the department the amount of the taxes collected during the preceding month.

7. A person who willfully makes a false statement in regard to taxation under [this section](#) is guilty of a fraudulent practice. A person who willfully makes a false statement in regard to taxation under this section with the intent to evade the payment of tax shall be assessed a penalty of seventy-five percent of the amount of tax unpaid and required to be paid.

[2010 Acts, ch 1108, §8, 15](#)

Referred to in [§103A.55](#), [312.1](#), [321.20](#), [331.557](#), [423.36](#), [423.43](#)

Fraudulent practices, see [§714.8 – 714.14](#)

**423.27 Motor vehicle lease tax.** Repealed by [2008 Acts, ch 1113, §46](#). See [§423.26](#).

**423.28 Sales tax report — deduction.** Repealed by 2012 Acts, ch 1110, §23.

**423.29 Collections by sellers.**

1. Every seller who is a retailer and who is making taxable sales of tangible personal property or specified digital products in Iowa or who is a retailer maintaining a place of business in this state making taxable sales of tangible personal property or specified digital products shall, at the time of making the sale, collect the sales tax. Sellers required to collect sales or use tax shall give to any purchaser a receipt for the tax collected in the manner and form prescribed by the director.

2. Every seller who is a retailer furnishing taxable services in Iowa and every seller who is a retailer maintaining a place of business in this state and furnishing taxable services in Iowa or services outside Iowa if the product or result of the service is used in Iowa shall be subject to the provisions of [subsection 1](#).

[2003 Acts, 1st Ex, ch 2, §122, 205](#); [2015 Acts, ch 29, §55](#); [2018 Acts, ch 1161, §208, 229](#); [2020 Acts, ch 1118, §46](#)

Referred to in [§421.26](#), [423.14](#), [423.14A](#), [423.33](#), [423.57](#), [423.58](#)

Legislative intent regarding 2020 amendment to subsection 1; 2020 Acts, ch 1118, §49

**423.30 Foreign sellers not registered under the agreement.**

1. The director may, upon application, authorize the collection of the use tax by any seller who is a retailer not maintaining a place of business within this state and not registered under the agreement, who, to the satisfaction of the director, furnishes adequate security to ensure collection and payment of the tax. Such sellers shall be issued, without charge, permits to collect tax subject to any regulations which the director shall prescribe. When so authorized, it shall be the duty of foreign sellers to collect the tax upon all tangible personal property and specified digital products sold, to the retailer's knowledge, for use within this state, in the same manner and subject to the same requirements as a retailer maintaining a place of business within this state. The authority and permit may be canceled when, at any time, the director considers the security inadequate, or that tax can more effectively be collected from the person using property in this state.

2. The discretionary power granted in [subsection 1](#) is extended to apply in the case of foreign retailers furnishing services enumerated in [section 423.2](#).

[2003 Acts, 1st Ex, ch 2, §123, 205](#); [2015 Acts, ch 30, §121](#); [2018 Acts, ch 1161, §209, 229](#)

Referred to in [§423.14](#)

**423.31 Filing of sales or use tax returns and payment of sales or use tax.**

1. *a.* Except as provided in paragraph "b", each person subject to [this section](#) and [section 423.36](#) and in accordance with the provisions of [this section](#) and [section 423.36](#) shall, on or before the last day of the month following the close of each calendar month during which such person is or has become or ceased being subject to the provisions of [this section](#) and [section 423.36](#), make, sign, and file electronically a return for the calendar month in the form as may be required. Returns shall show information relating to sales prices including tangible personal property, specified digital products, and services converted to the use of such person, the amounts of sales prices excluded and exempt from the tax, the amounts of sales prices subject to tax, a calculation of tax due, and any other information for the period covered by the return as may be required. Returns shall be signed by the retailer or the retailer's authorized agent and must be certified by the retailer to be correct in accordance with forms and rules

prescribed by the director. A person required to file a sales or use tax return who is unable to do so may request permission from the director to file a return by another method.

b. Notwithstanding paragraph “a”, each person subject to [this section](#) who collects and remits less than one thousand two hundred dollars in sales or use tax to the department per calendar year may file a return on or before the last day of the month following the close of the calendar year.

2. The director may authorize incorporated banks and trust companies or other depositories authorized by law which are depositories or financial agents of the United States, or of this state, to receive any sales or use tax imposed under [this chapter](#), in the manner, at the times, and under the conditions the director prescribes. The director shall prescribe the manner, times, and conditions under which the receipt of the tax by those depositories is to be treated as payment of the tax to the department.

3. Every retailer at the time of making any return required by [this section](#) shall compute and pay to the department the tax due for the preceding period. The tax on sales prices from the sale of tangible personal property under a consumer rental purchase agreement as defined in [section 537.3604, subsection 8](#), is payable in the tax period of receipt.

4. a. Upon making application and receiving approval from the director, a person and its affiliates that make retail sales of tangible personal property, specified digital products, or taxable enumerated services may make deposits and file a consolidated sales or use tax return for the affiliated group, pursuant to rules adopted by the director. A person and each affiliate that files a consolidated return are jointly and severally liable for all tax, penalty, and interest found due for the tax period for which a consolidated return is filed or required to be filed.

b. A business required to file a consolidated sales or use tax return shall file a form entitled “schedule of consolidated business locations” with its sales or use tax return that shows the taxpayer’s consolidated permit number, the permit number for each Iowa business location, the state sales tax amount by business location, and the amount of state sales tax due on goods consumed that are not assigned to a specific business location. Consolidated sales or use tax returns that are not accompanied by the schedule of consolidated business locations form are considered incomplete and are subject to penalty under [section 421.27](#).

5. If necessary or advisable in order to ensure the payment of the tax, the director may require returns and payment of the tax to be made for other than monthly periods, the provisions of [this section](#) or other provision to the contrary notwithstanding.

6. Notwithstanding any other provision of the Code to the contrary, the department shall not attempt to collect delinquent sales tax on a transaction involving the furnishing of lawn care, landscaping, or tree trimming and removal services which occurred more than five years from the date of an audit.

7. Persons required to file a return under [this section](#) may instead file a simplified electronic return pursuant to [section 423.49](#).

2003 Acts, 1st Ex, ch 2, §124, 205; 2008 Acts, ch 1172, §23; 2012 Acts, ch 1066, §3; 2018 Acts, ch 1161, §210, 211, 229; 2021 Acts, ch 86, §72; 2022 Acts, ch 1138, §13, 14

Referred to in §99G.30A, 421.26, 423.14, 423.33, 423.34, 423.36, 423.45, 423.57, 423.58, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5

Authority of department of revenue to convert, renumber, or combine existing permits for taxpayers holding multiple permits: 2022 Acts, ch 1138, §37

**423.32 Filing of use tax returns and payment of use tax.** Repealed by 2022 Acts, ch 1138, §35.

### **423.33 Liability of persons for payment of sales or use tax.**

#### **1. Liability of purchaser and retailer.**

a. If a purchaser fails to pay sales tax to the retailer required to collect the tax, then in addition to all of the rights, obligations, and remedies provided, a use tax is payable by the purchaser directly to the department, and [sections 423.31, 423.37, 423.39, 423.40, 423.41, and 423.42](#) apply to the purchaser.

b. For failure to pay the sales or use tax as described in paragraph “a”, the retailer and purchaser are jointly liable, unless the circumstances described in [section 29C.24, subsection 3, paragraph “a”, subparagraph \(2\), section 423.34A, or section 423.45, subsection 4, paragraph “b” or “e”, or subsection 5, paragraph “c” or “e”,](#) are applicable.

c. If the retailer fails to collect sales tax at the time of the transaction, the retailer shall thereafter remit the applicable sales tax, or the purchaser thereafter shall remit the applicable use tax. If the purchaser remits all applicable use tax, the retailer remains liable for any local sales and services tax under [chapter 423B](#) that the retailer failed to collect.

2. *Immediate successor liability for sales or use tax.* If a retailer sells the retailer's business or stock of goods or quits the business, the retailer shall prepare a final return and pay all sales or use tax due within the time required by law. The immediate successor to the retailer, if any, shall withhold a sufficient portion of the purchase price, in money or money's worth, to pay the amount of delinquent tax, interest, or penalty due and unpaid. If the immediate successor of the business or stock of goods intentionally fails to withhold the amount due from the purchase price as provided in [this subsection](#), the immediate successor is personally liable for the payment of delinquent taxes, interest, and penalty accrued and unpaid on account of the operation of the business by the immediate former retailer, except when the purchase is made in good faith as provided in [section 421.28](#). However, a person foreclosing on a valid security interest or retaking possession of premises under a valid lease is not an "immediate successor" for purposes of [this section](#). The department may waive the liability of the immediate successor under [this subsection](#) if the immediate successor exercised good faith in establishing the amount of the previous liability.

3. *Event sponsor's liability for sales or use tax.* A person sponsoring a flea market or a craft, antique, coin, or stamp show or similar event shall obtain from every retailer selling tangible personal property, specified digital products, or taxable services at the event proof that the retailer possesses a valid sales or use tax permit or secure from the retailer a statement, taken in good faith, that tangible personal property, specified digital products, or services offered for sale are not subject to sales tax. Failure to do so renders a sponsor of the event liable for payment of any sales tax, interest, and penalty due and owing from any retailer selling property or services at the event. [Sections 423.31, 423.37, 423.39, 423.40, 423.41, and 423.42](#) apply to the sponsors. For purposes of [this subsection](#), a "person sponsoring a flea market or a craft, antique, coin, or stamp show or similar event" does not include a marketplace facilitator as defined in [section 423.14A, subsection 1](#), an organization which sponsors an event determined to qualify as an event involving casual sales pursuant to [section 423.3, subsection 39](#), or the state fair or a fair as defined in [section 174.1](#).

4. *Liability of affiliates.*

a. Notwithstanding any other provision of law to the contrary, if any retailer required to collect and remit sales and use tax pursuant to [sections 423.14, 423.14A, and 423.29](#), or any other provision of [this chapter](#), fails to do so, all affiliates that directly, indirectly, or constructively control the retailer shall be jointly and severally liable for any tax, penalty, and interest under [this chapter](#), regardless of whether the affiliate is a retailer.

b. Pursuant to paragraph "a", the department may elect to assess the full amount of any tax, penalty, and interest against the retailer, an affiliate of the retailer described in paragraph "a", or any combination of the retailer and the retailer's affiliates described in paragraph "a".

c. Notwithstanding any other provision of law to the contrary, the department has the discretion to deem an affiliate of a retailer an agent or alter ego of that retailer.

d. Notwithstanding any other provision of law to the contrary, the department has the discretion to disregard or look through any organizational structure of an enterprise in order to assess and collect any tax, penalty, and interest against an affiliate that is acting to benefit an affiliate or an enterprise of which the affiliate is a part.

[2003 Acts, 1st Ex, ch 2, §126, 205; 2005 Acts, ch 19, §55; 2006 Acts, ch 1158, §50; 2007 Acts, ch 179, §3, 10; 2016 Acts, ch 1095, §10, 14; 2018 Acts, ch 1161, §213, 214, 229; 2020 Acts, ch 1118, §47; 2022 Acts, ch 1138, §15, 16; 2023 Acts, ch 115, §28, 29, 40](#)

Referred to in [§99G.30A, 321.105A, 421.26, 421.28, 423.14, 423.34, 423.57, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5](#)

Legislative intent regarding 2020 amendment to subsection 1; 2020 Acts, ch 1118, §49

2023 amendment to subsection 1, paragraphs a and b effective January 1, 2024; 2023 Acts, ch 115, §40

2023 amendment to subsection 3 effective January 1, 2024; 2023 Acts, ch 115, §40

Subsection 1, paragraphs a and b amended

Subsection 3 amended

**423.34 Liability of user.**

Any person who uses any tangible personal property, specified digital products, or services enumerated in [section 423.2](#) upon which the use tax has not been paid, either to the county treasurer or to a retailer or direct to the department as required by [this subchapter](#), shall be liable for the payment of tax, and shall on or before the last day of the month next succeeding each monthly period pay the use tax upon all tangible personal property, specified digital products, or services used by the person during the preceding monthly period in the manner and accompanied by such returns as the director shall prescribe. All of the provisions of [sections 423.31](#) and [423.33](#) with reference to the returns and payments shall be applicable to the returns and payments required by [this section](#).

[2002 Acts, 1st Ex, ch 2, §127, 205; 2018 Acts, ch 1161, §215, 229; 2019 Acts, ch 59, §126; 2022 Acts, ch 1138, §17](#)

Referred to in [§99G.30A, 421.26, 423.14, 423.57, 423B.6, 423D.4, 423G.5](#)

**423.34A Exclusion from liability for purchasers.**

A purchaser is relieved of liability for payment of state sales or use tax, for payment of any local option sales tax, for payment of interest, or for payment of any penalty for nonpayment of tax which nonpayment is not fraudulent, willful, or intentional, under the following circumstances:

1. The purchaser, the purchaser's seller or certified service provider, or the purchaser holding a direct pay permit relied on erroneous data contained in this state's taxability matrix completed pursuant to the agreement.

2. The purchaser, the purchaser's seller or certified service provider, or the purchaser holding a direct pay permit relied on erroneous data provided by the state with regard to tax rates, boundaries, or taxing jurisdiction assignments.

3. The purchaser used a database described in [section 423.52, subsection 1](#), or [section 423.55](#) and relied on erroneous data about tax rates, boundaries, or taxing jurisdiction assignments contained in that database.

[2007 Acts, ch 179, §4, 10](#)

Referred to in [§99G.30A, 423.33, 423.57, 423B.6, 423D.4, 423G.5](#)

**423.35 Posting of bond to secure payment.**

The director may, when necessary and advisable in order to secure the collection of the sales or use tax, authorize any person subject to either tax, and any retailer required or authorized to collect those taxes pursuant to the provisions of [section 423.14](#), to file with the department a bond, issued by a surety company authorized to transact business in this state and approved by the insurance commissioner as to solvency and responsibility, in an amount as the director may fix, to secure the payment of any tax, interest, or penalties due or which may become due from such person. In lieu of a bond, securities approved by the director, in an amount which the director may prescribe, may be deposited with the department, which securities shall be kept in the custody of the department and may be sold by the director at public or private sale, without notice to the depositor, if it becomes necessary to do so in order to recover any tax, interest, or penalties due. Upon the sale, the surplus, if any, above the amounts due under [this chapter](#) shall be returned to the person who deposited the securities.

[2003 Acts, 1st Ex, ch 2, §128, 205](#)

Referred to in [§99G.30A, 321.105A, 423.57, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 452A.23](#)

**423.36 Permits required to collect sales or use tax — applications — revocation.**

1. A person shall not engage in or transact business as a retailer making taxable sales of tangible personal property, specified digital products, or furnishing services within this state or as a retailer making taxable sales of tangible personal property, specified digital products, or furnishing services for use within this state, unless a permit has been issued to the retailer under [this section](#), except as provided in [subsection 7](#). Every person desiring to engage in or transact business as a retailer shall file with the department an application for a permit to collect sales or use tax. Every application for a sales or use tax permit shall be made upon a form prescribed by the director and shall set forth any information the director may require. The application shall be signed by an owner of the business if a natural person; in the case of

a retailer which is an association or partnership, by a member or partner; and in the case of a retailer which is a corporation, by an executive officer or some person specifically authorized by the corporation to sign the application, to which shall be attached the written evidence of the person's authority.

2. *a.* Notwithstanding [subsection 1](#), if any person will make taxable sales of tangible personal property, specified digital products, or furnish services to any state agency, that person shall, prior to the sale, apply for and receive a permit to collect sales or use tax pursuant to [this section](#). A state agency shall not purchase tangible personal property, specified digital products, or services from any person unless that person has a valid, unexpired permit issued pursuant to [this section](#) and is in compliance with all other requirements in [this chapter](#) imposed upon retailers, including but not limited to the requirement to collect and remit sales and use tax and file sales and use tax returns.

*b.* For purposes of [this subsection](#), "state agency" means any executive, judicial, or legislative department, commission, board, institution, division, bureau, office, agency, or other entity of state government.

3. To collect sales or use tax, the applicant must have a permit for each place of business in the state of Iowa. The department may deny a permit to an applicant who is substantially delinquent in paying a tax due, or the interest or penalty on the tax, administered by the department at the time of application or if the applicant had a previous delinquent liability with the department. If the applicant is a partnership, a permit may be denied if a partner is substantially delinquent in paying any delinquent tax, penalty, or interest or if a partner had a previous delinquent liability with the department. If the applicant is a corporation, a permit may be denied if any officer having a substantial legal or equitable interest in the ownership of the corporation owes any delinquent tax, penalty, or interest or if any officer having a substantial legal or equitable interest in the ownership of the corporation had a previous delinquent liability with the department.

4. *a.* The department shall grant and issue to each applicant a permit for each place of business in this state where sales or use tax is collected. A permit is not assignable and is valid only for the person in whose name it is issued and for the transaction of business at the place designated or at a place of relocation within the same county if the ownership remains the same.

*b.* If an applicant is making sales outside Iowa for use in this state or furnishing services outside Iowa, the product or result of which will be used in this state, that applicant shall be issued one sales or use tax permit by the department applicable to these out-of-state sales or services.

*c.* If an applicant is required to collect sales or use tax and is not included in the definition of a retailer maintaining a place of business in this state in [section 423.1, subsection 48](#), paragraph "a", subparagraph (1), the applicant shall be issued one sales or use tax permit by the department regardless of the number of locations from which sales are made.

5. Permits issued under [this section](#) are valid and effective until revoked by the department.

6. If the holder of a permit fails to comply with any of the provisions of [this subchapter](#) or of [subchapter II](#) or [III](#) or any order or rule of the department adopted under those subchapters or is substantially delinquent in the payment of a tax administered by the department or the interest or penalty on the tax, or if the person is a corporation and if any officer having a substantial legal or equitable interest in the ownership of the corporation owes any delinquent tax of the permit-holding corporation, or interest or penalty on the tax, administered by the department, the director may revoke the permit. The director shall send notice by mail to a permit holder informing that person of the director's intent to revoke the permit and of the permit holder's right to a hearing on the matter. If the permit holder petitions the director for a hearing on the proposed revocation, after giving ten days' notice of the time and place of the hearing in accordance with [section 17A.18, subsection 3](#), the matter may be heard and a decision rendered. The director may restore permits after revocation. The director shall adopt rules setting forth the period of time a retailer must wait before a permit may be restored or a new permit may be issued. The waiting period shall not exceed ninety days from the date of the revocation of the permit.

7. *a.* Sellers who are not regularly engaged in selling at retail and do not have a permanent place of business, but who are temporarily engaged in selling from trucks, portable roadside stands, concessionaires at state, county, district, or local fairs, carnivals, or the like, shall report and remit the sales tax on a seasonal basis, under rules the director shall provide for the efficient collection of the sales tax. [This subsection](#) applies to sellers who are temporarily engaged in furnishing services.

*b.* Persons engaged in selling tangible personal property, specified digital products, or furnishing services shall not be required to obtain or retain a sales or use tax permit for a place of business at which taxable sales of tangible personal property, specified digital products, or taxable performance of services will not occur.

8. The provisions of [subsection 1](#), dealing with the lawful right of a retailer to transact business, as applicable, apply to persons having receipts from furnishing services enumerated in [section 423.2](#), except that a person holding a permit pursuant to [subsection 1](#) shall not be required to obtain any separate sales or use tax permit for the purpose of engaging in business involving the services.

9. *a.* Except as provided in paragraph “*b*”, purchasers, users, and consumers of tangible personal property, specified digital products, or enumerated services taxed pursuant to [subchapter II](#) or [III](#) of [this chapter](#) or [chapter 423B](#) may be authorized, pursuant to rules adopted by the director, to remit tax owed directly to the department instead of the tax being collected and paid by the seller. To qualify for a direct pay tax permit, the purchaser, user, or consumer must accrue a tax liability of more than four thousand dollars in tax under [subchapters II](#) and [III](#) in a semimonthly period and make deposits and file returns pursuant to [section 423.31](#). This authority shall not be granted or exercised except upon application to the director and then only after issuance by the director of a direct pay tax permit.

*b.* The granting of a direct pay tax permit is not authorized for any of the following:

(1) Taxes imposed on the sales, furnishing, or service of gas, electricity, water, heat, pay television service, and communication service.

(2) Taxes imposed under [section 423.26](#), [section 423.26A](#), and [chapter 423C](#).

2003 Acts, 1st Ex, ch 2, §129, 205; 2008 Acts, ch 1113, §113; 2008 Acts, ch 1134, §66; 2008 Acts, ch 1184, §57; 2010 Acts, ch 1108, §9, 15; 2012 Acts, ch 1110, §20; 2013 Acts, ch 122, §3; 2018 Acts, ch 1161, §216 – 219, 229; 2022 Acts, ch 1138, §18 – 20

Referred to in [§423.31](#), [423.40](#), [423.58](#), [423B.5](#)

#### **423.37 Failure to file sales or use tax returns — incorrect returns — limitations period.**

1. *a.* As soon as practicable after a return is filed and within three years after the return is filed, the department may examine the return, assess and determine the tax due if the return is found to be incorrect, and give notice to the person liable for the tax of the assessment and determination as provided in paragraph “*b*”. If a return, when filed, is incorrect or insufficient, the department shall determine the amount of tax due from information or knowledge the department is able to obtain. The determination may be made using any generally recognized valid and reliable sampling technique, whether or not the person being audited has complete records, and if mutually agreed upon by the department and the person being audited. The period for the examination and determination of the correct amount of tax is unlimited in the case of a false or fraudulent return made with the intent to evade tax.

*b.* The department shall issue a notice of assessment in accordance with [section 421.60](#). The notice shall be appealable pursuant to [sections 422.28](#) and [422.29](#). If the person fails to appeal the notice of assessment, the person may pay the tax, penalty, and interest and file a refund claim within the time period provided in [section 422.73](#), or may request relief under [section 421.5](#).

2. *a.* If a return required by [this subchapter](#) is not filed, the period for examination and determination of the correct amount of tax is unlimited. The department may, at any time, estimate the tax due from the information or knowledge the department is able to obtain.

*b.* If the department estimates an amount of tax under [this subsection](#), the following shall apply:

(1) The department shall issue a notice of assessment to the person for which the tax is estimated in accordance with [section 421.60](#). The notice of assessment shall not be appealable

pursuant to [sections 422.28](#) and [422.29](#), except to appeal the determination that the person is required to file the return.

(2) The department shall include a statement with the notice that if the person files a return within three years from the date on the notice of assessment, the department may replace the assessment with the amount shown due on the person's return, plus any applicable penalty and interest, and the department may examine that return and determine the tax, penalty, and interest within the period provided in [this section](#).

(3) If the person fails to file a return within three years from the date on the notice of assessment, the person may pay the tax, penalty, and interest and file a refund claim within the time period provided in [section 422.73](#), or may request relief under [section 421.5](#).

3. The three-year period of limitation provided in [subsection 1](#) may be extended by a taxpayer by signing a waiver agreement form to be provided by the department. The agreement shall stipulate the period of extension and the tax period to which the extension applies. The agreement shall also provide that a claim for refund may be filed by the taxpayer at any time during the period of extension.

4. The period of limitation on examination and determination is unlimited under [this title](#) in the case of any action by the department to recover or rescind any tax expenditure as defined by [section 2.48](#), [subsection 1](#), or any other incentive or assistance, due to a failure to meet or maintain the requirements of a program administered by the economic development authority.

[2003 Acts, 1st Ex, ch 2, §130, 205; 2006 Acts, ch 1158, §51; 2013 Acts, ch 110, §2; 2020 Acts, ch 1118, §21, 31; 2023 Acts, ch 115, §30, 31, 40](#)

Referred to in [§99G.30A, 321.105A, 421.10, 423.33, 423.45, 423.57, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 452A.23, 453A.28, 453A.46](#)  
2023 amendments to subsections 1 and 2 effective January 1, 2024; 2023 Acts, ch 115, §40  
Subsection 1 amended  
Subsection 2 stricken and rewritten

#### **423.38 Judicial review.** Repealed by 2023 Acts, ch 115, §39, 40.

2023 repeal effective January 1, 2024; 2023 Acts, ch 115, §40

#### **423.39 Service of notices.**

1. A notice authorized or required under [this subchapter](#) may be given by mailing the notice to the person for whom it is intended, addressed to that person at the address given in the last return filed by the person pursuant to [this subchapter](#), or if no return has been filed, then to any address obtainable. The mailing of the notice is presumptive evidence of the receipt of the notice by the person to whom addressed. Any period of time which is determined according to [this subchapter](#) by the giving of notice commences to run from the date of mailing of the notice.

2. The provisions of the Code relative to the limitation of time for the enforcement of a civil remedy shall not apply to any proceeding or action taken to levy, appraise, assess, determine, or enforce the collection of any tax or penalty provided by [this chapter](#).

[2003 Acts, 1st Ex, ch 2, §132, 205](#)

Referred to in [§99G.30A, 321.105A, 423.33, 423.45, 423.57, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5](#)

#### **423.40 Penalties — offenses — limitation.**

1. In addition to the sales or use tax or additional sales or use tax, the taxpayer shall pay a penalty as provided in [section 421.27](#). The taxpayer shall also pay interest on the sales or use tax or additional sales or use tax at the rate in effect under [section 421.7](#) for each month counting each fraction of a month as an entire month, computed from the date the return was required to be filed. The penalty and interest shall be paid to the department and disposed of in the same manner as other receipts under [this subchapter](#). Unpaid penalties and interest may be enforced in the same manner as the taxes imposed by [this chapter](#).

2. *a.* Any person who knowingly sells tangible personal property, specified digital products, tickets or admissions to places of amusement and athletic events, or gas, water, electricity, or communication service at retail, or engages in the furnishing of services enumerated in [section 423.2](#), in this state without procuring a permit to collect tax, as provided in [section 423.36](#), or who violates [section 423.24](#) and the officers of any corporation who so act are guilty of a serious misdemeanor.

b. A person who knowingly sells tangible personal property, specified digital products, tickets or admissions to places of amusement and athletic events, or gas, water, electricity, or communication service at retail, or engages in the furnishing of services enumerated in [section 423.2](#), in this state after the person's sales or use tax permit has been revoked and before it has been restored as provided in [section 423.36, subsection 6](#), and the officers of any corporation who so act are guilty of an aggravated misdemeanor.

3. A person who willfully attempts in any manner to evade any tax imposed by [this chapter](#) or the payment of the tax or a person who makes or causes to be made a false or fraudulent return with intent to evade any tax imposed by [subchapter II](#) or [III](#) or the payment of the tax is guilty of a class "D" felony.

4. The certificate of the director to the effect that a tax has not been paid, that a return has not been filed, or that information has not been supplied pursuant to the provisions of [this subchapter](#) shall be prima facie evidence thereof.

5. A person required to pay sales or use tax, or to make, sign, or file a return or supplemental return, who willfully makes a false or fraudulent return, or willfully fails to pay at least ninety percent of the tax or willfully fails to make, sign, or file the return, at the time required by law, is guilty of a fraudulent practice.

6. A prosecution for an offense specified in [this section](#) shall be commenced within six years after its commission.

[2003 Acts, 1st Ex, ch 2, §133, 205; 2018 Acts, ch 1161, §220, 229; 2022 Acts, ch 1138, §21](#)

Referred to in [§99G.30A, 321.105A, 423.26, 423.33, 423.45, 423.57, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5](#)

#### **423.41 Books — examination.**

Every retailer required or authorized to collect taxes imposed by [this chapter](#) and every person using in this state tangible personal property, specified digital products, services, or the product of services shall keep records, receipts, invoices, and other pertinent papers as the director shall require, in the form that the director shall require, for as long as the director has the authority to examine and determine tax due. The director or any duly authorized agent of the department may examine the books, papers, records, and equipment of any person selling tangible personal property, specified digital products, or services or liable for the tax imposed by [this chapter](#), and investigate the character of the business of any person in order to verify the accuracy of any return made, or if a return was not made by the person, ascertain and determine the amount due under [this chapter](#). These books, papers, and records shall be made available within this state for examination upon reasonable notice when the director deems it advisable and so orders. If the taxpayer maintains any records in an electronic format, the taxpayer shall comply with reasonable requests by the director or the director's authorized agents to provide those electronic records in a standard record format. The preceding requirements shall likewise apply to users and persons furnishing services enumerated in [section 423.2](#).

[2003 Acts, 1st Ex, ch 2, §134, 205; 2007 Acts, ch 186, §23; 2018 Acts, ch 1161, §221, 229](#)

Referred to in [§99G.30A, 321.105A, 423.33, 423.45, 423.57, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5](#)

#### **423.42 Statutes applicable.**

1. The director shall administer the taxes imposed by [subchapters II](#) and [III](#) in the same manner and subject to all the provisions of, and all of the powers, duties, authority, and restrictions contained in, [section 422.25, subsection 4, section 422.30, and sections 422.67 through 422.75](#).

2. All the provisions of [section 422.26](#) shall apply in respect to the taxes and penalties imposed by [subchapters II](#) and [III](#) and [this subchapter](#), except that, as applied to any tax imposed by [subchapters II](#) and [III](#), the lien provided in [section 422.26](#) shall be prior and paramount over all subsequent liens upon any personal property within this state, or right to such personal property, belonging to the taxpayer without the necessity of recording as provided in [section 422.26](#). The requirements for recording shall, as applied to the taxes imposed by [subchapters II](#) and [III](#), apply only to the liens upon real property. When requested to do so by any person from whom a taxpayer is seeking credit, or with whom the taxpayer is negotiating the sale of any personal property, or by any other person having a legitimate

interest in such information, the director shall, upon being satisfied that such a situation exists, inform that person as to the amount of unpaid taxes due by such taxpayer under the provisions of [subchapters II and III](#). The giving of this information under these circumstances shall not be deemed a violation of [section 422.72](#) as applied to [subchapters II and III](#).

[2003 Acts, 1st Ex, ch 2, §135, 205](#)

Referred to in [§99G.30A, 321.105A, 421.17, 423.26, 423.33, 423.45, 423.57, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5](#)

#### **423.43 Deposit of revenues.**

1. *a.* Except as provided in [subsection 2](#), all revenue arising under the operation of the use tax under [subchapter III](#) shall be deposited into the general fund of the state.

*b.* Subsequent to the deposit into the general fund of the state and after the transfer of such revenues collected under [chapter 423B](#), the department shall transfer one-sixth of such remaining revenues to the secure an advanced vision for education fund created in [section 423F.2](#). This paragraph is repealed January 1, 2051.

2. All revenue derived from the use tax imposed pursuant to [sections 423.26 and 423.26A](#) shall be credited to the statutory allocations fund created under [section 321.145, subsection 2](#).

[2003 Acts, 1st Ex, ch 2, §136, 205; 2005 Acts, ch 140, §13; 2008 Acts, ch 1113, §45, 125, 129; 2010 Acts, ch 1108, §10, 15; 2019 Acts, ch 166, §10](#)

Referred to in [§321.145, 423.57](#)

**423.44 Reimbursement for primary road fund.** Repealed by [2008 Acts, ch 1113, §123](#). See [§321.145](#).

#### **423.45 Refunds — exemption certificates.**

1. If an amount of tax represented by a retailer to a consumer or user as constituting tax due is computed upon a sales price that is not taxable or the amount represented is in excess of the actual taxable amount and the amount represented is actually paid by the consumer or user to the retailer, the excess amount of tax paid shall be returned to the consumer or user upon notification to the retailer by the department that an excess payment exists.

2. If an amount of tax represented by a retailer to a consumer or user as constituting tax due is computed upon a sales price that is not taxable or the amount represented is in excess of the actual taxable amount and the amount represented is actually paid by the consumer or user to the retailer, the excess amount of tax paid shall be returned to the consumer or user upon proper notification to the retailer by the consumer or user that an excess payment exists. “*Proper*” notification is written notification which allows a retailer at least sixty days to respond and which contains enough information to allow a retailer to determine the validity of a consumer’s or user’s claim that an excess amount of tax has been paid. No cause of action shall accrue against a retailer for excess tax paid until sixty days after proper notice has been given the retailer by the consumer or user.

3. In the circumstances described in [subsections 1 and 2](#), a retailer has the option to either return any excess amount of tax paid to a consumer or user, or to remit the amount which a consumer or user has paid to the retailer to the department.

4. *a.* The department shall issue or the seller may separately provide exemption certificates in the form prescribed by the director, including certificates not made of paper, which conform to the requirements of paragraph “*c*”, to assist retailers in properly accounting for nontaxable sales of tangible personal property, specified digital products, or services to purchasers for a nontaxable purpose. The department shall also allow the use of exemption certificates for those circumstances in which a sale is taxable but the seller is not obligated to collect tax from the buyer.

*b.* The sales tax liability for all sales of tangible personal property and specified digital products and all sales of services is upon the seller and the purchaser unless the seller takes from the purchaser a valid exemption certificate stating under penalty of perjury that the purchase is for a nontaxable purpose and is not a retail sale as defined in [section 423.1](#), or the seller is not obligated to collect tax due, or unless the seller takes a fuel exemption certificate pursuant to [subsection 5](#). If the tangible personal property, specified digital products, or services are purchased tax free pursuant to a valid exemption certificate and the tangible personal property, specified digital products, or services are used or disposed

of by the purchaser in a nonexempt manner, the purchaser is solely liable for the taxes and shall remit the taxes directly to the department and [sections 423.31, 423.37, 423.39, 423.40, 423.41, and 423.42](#) shall apply to the purchaser.

c. A valid exemption certificate is an exemption certificate which is complete and correct according to the requirements of the director.

d. The protection afforded a seller by paragraph “b” does not apply to a seller who fraudulently fails to collect tax or to a seller who solicits purchasers to participate in the unlawful claim of an exemption.

e. If the circumstances change and as a result the tangible personal property, specified digital products, or services are used or disposed of by the purchaser in a nonexempt manner or the purchaser becomes obligated to pay the tax, the purchaser is liable solely for the taxes and shall remit the taxes directly to the department in accordance with [this subsection](#).

5. a. The department shall issue or the seller may separately provide fuel exemption certificates in the form prescribed by the director.

b. For purposes of [this subsection](#):

(1) “Fuel” includes gas, electricity, water, heat, steam, and any other tangible personal property consumed in creating heat, power, or steam.

(2) “Fuel consumed in processing” means fuel used or consumed for processing including grain drying, for providing heat or cooling for livestock buildings or for greenhouses or buildings or parts of buildings dedicated to the production of flowering, ornamental, or vegetable plants intended for sale in the ordinary course of business, for use in aquaculture production, or for generating electric current, or in implements of husbandry engaged in agricultural production.

(3) “Fuel exemption certificate” means an exemption certificate given by the purchaser under penalty of perjury to assist retailers in properly accounting for nontaxable sales of fuel consumed in processing.

(4) “Substantial change” means a change in the use or disposition of tangible personal property and services by the purchaser such that the purchaser pays less than ninety percent of the purchaser’s actual sales tax liability. A change includes a misstatement of facts in an application made pursuant to paragraph “d” or in a fuel exemption certificate.

c. The seller may accept a completed fuel exemption certificate, as prepared by the purchaser, for three years unless the purchaser files a new completed exemption certificate. If the fuel is purchased tax free pursuant to a fuel exemption certificate which is taken by the seller, and the fuel is used or disposed of by the purchaser in a nonexempt manner, the purchaser is solely liable for the taxes, and shall remit the taxes directly to the department and [sections 423.31, 423.37, 423.39, 423.40, 423.41, and 423.42](#) shall apply to the purchaser.

d. The purchaser may apply to the department for its review of the fuel exemption certificate. In this event, the department shall review the fuel exemption certificate within twelve months from the date of application and determine the correct amount of the exemption. If the amount determined by the department is different than the amount that the purchaser claims is exempt, the department shall promptly notify the purchaser of the determination. Failure of the department to make a determination within twelve months from the date of application shall constitute a determination that the fuel exemption certificate is correct as submitted. A determination of exemption by the department is final unless the purchaser appeals to the director for a revision of the determination within sixty days after the date of the notice of determination. The director shall grant a hearing, and upon the hearing, the director shall determine the correct exemption and notify the purchaser of the decision by mail. The decision of the director is final unless the purchaser seeks judicial review of the director’s decision under [section 422.29](#) within sixty days after the date of the notice of the director’s decision. Unless there is a substantial change, the department shall not impose penalties pursuant to [section 423.40](#) both retroactively to purchases made after the date of application and prospectively until the department gives notice to the purchaser that a tax or additional tax is due, for failure to remit any tax due which is in excess of a determination made under [this section](#). A determination made by the department pursuant to [this subsection](#) does not constitute an audit for purposes of [section 423.37](#).

e. If the circumstances change and the fuel is used or disposed of by the purchaser in

a nonexempt manner, the purchaser is solely liable for the taxes and shall remit the taxes directly to the department in accordance with paragraph “c”.

f. The purchaser shall attach documentation to the fuel exemption certificate which is reasonably necessary to support the exemption for fuel consumed in processing. If the purchaser files a new exemption certificate with the seller, documentation shall not be required if the purchaser previously furnished the seller with this documentation and substantial change has not occurred since that documentation was furnished or if fuel consumed in processing is separately metered and billed by the seller.

6. Nothing in [this section](#) authorizes any cause of action by any person to recover sales or use taxes directly from the state or extends any person’s time to seek a refund of sales or use taxes which have been collected and remitted to the state.

[2003 Acts, 1st Ex, ch 2, §138, 205; 2006 Acts, ch 1158, §75, 76, 80; 2018 Acts, ch 1161, §222, 229; 2022 Acts, ch 1138, §22, 23; 2023 Acts, ch 115, §32, 33, 40](#)

Referred to in [§321.105A, 423.33, 423.57, 423C.4](#)

2023 amendment to subsection 4, paragraph b effective January 1, 2024; 2023 Acts, ch 115, §40

2023 amendment to subsection 5, paragraphs c and d effective January 1, 2024; 2023 Acts, ch 115, §40

Subsection 4, paragraph b amended

Subsection 5, paragraphs c and d amended

#### **423.46 Rate and base changes — liability for failure to collect.**

1. The department shall make a reasonable effort to provide sellers with as much advance notice as practicable of a rate change and to notify sellers of legislative changes in the tax base and amendments to sales and use tax rules. Except as provided in [subsection 2](#), a seller shall not be relieved of the obligation to collect sales or use taxes for this state by either a failure to receive such notice or by a failure of the state to provide notice.

2. A seller will be relieved of liability for failing to collect sales or use taxes for this state at the new rate under all of the following conditions and to the following extent:

a. The department fails to provide for at least thirty days between the enactment of the statute providing for a rate change and the effective date of such rate change.

b. The seller continues to collect sales or use taxes at the rate in effect immediately prior to the rate change.

c. The erroneous collection described in paragraph “b” does not continue for more than thirty days after the effective date of the rate change.

3. The relief from the obligation to collect sales or use taxes described in [subsection 2](#) shall not apply if a seller fraudulently fails to collect tax at the new rate or if a seller has solicited purchasers on the basis of the rate in effect immediately prior to the rate change.

[2003 Acts, 1st Ex, ch 2, §139, 205; 2010 Acts, ch 1145, §11, 17](#)

Referred to in [§99G.30A, 423.57, 423B.6, 423C.4](#)

#### **423.47 Refunds and credits.**

If it shall appear that, as a result of mistake, an amount of tax, penalty, or interest has been paid which was not due under the provisions of [this chapter](#), such amount shall be credited against any tax due, or to become due, on the books of the department from the person who made the erroneous payment, or such amount shall be refunded to such person by the department. A claim for refund or credit that has not been filed with the department within three years after the tax payment for which a refund or credit is claimed became due, or one year after such tax payment was made, whichever time is the later, shall not be allowed by the director.

[2003 Acts, 1st Ex, ch 2, §140, 205](#)

Referred to in [§99G.30A, 321.105A, 423.21, 423.57, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 476B.2, 476B.7, 476C.6](#)

SUBCHAPTER VI  
SALES AND USE TAX ACT  
ADMINISTRATION — RETAILERS  
REGISTERED VOLUNTARILY  
UNDER AGREEMENT

Referred to in [§423.13](#)

**423.48 Responsibilities and rights of sellers registered under the agreement.**

1. By registering under the agreement, the seller agrees to collect and remit sales and use taxes for all its taxable Iowa sales. Iowa's withdrawal from the agreement or revocation of its membership in the agreement shall not relieve a seller from its responsibility to remit taxes previously collected on behalf of this state.

2. The following provisions apply to any seller who registers under the agreement:

a. The seller may register on-line.

b. Registration under the agreement and the collection of Iowa sales and use taxes shall not be used as factors in determining whether the seller has nexus with Iowa for any tax.

c. The seller is not required to pay registration fees or other charges.

d. A written signature from the seller is not required.

e. The seller may register by way of an agent. The agent's appointment shall be in writing and submitted to the department if requested by the department.

f. The seller may cancel its registration at any time under procedures adopted by the governing board established pursuant to the agreement. Cancellation does not relieve the seller of its liability for remitting any Iowa taxes collected.

g. Upon the registration of a seller, the department shall provide to the seller information regarding the options available for the filing of returns and remittances. Such information shall include information on the requirements of filing simplified electronic returns and remittances.

3. The following additional responsibilities and rights apply to model sellers:

a. A model 1 seller's obligation to calculate, collect, and remit sales and use taxes shall be performed by its certified service provider, except for the seller's obligation to remit tax on its own purchases. As the seller's agent, the certified service provider is liable for its model 1 seller's sales and use tax due Iowa on all sales transactions it processes for the seller except as set out in [this section](#). A seller that contracts with a certified service provider is not liable to the state for sales or use tax due on transactions processed by the certified service provider unless the certified service provider establishes that the certified service provider is not liable in accordance with the agreement. In the absence of liability relief established by the certified service provider, the seller is not subject to audit on the transactions processed by the certified service provider. A model 1 seller is subject to audit for transactions not processed by the certified service provider. The director is authorized to perform a system check of the model 1 seller and review the seller's procedures to determine if the certified service provider's system is functioning properly and the extent to which the seller's transactions are being processed by the certified service provider.

b. A model 2 seller shall calculate the amount of tax due on a transaction by the use of a certified automated system, but shall collect and remit tax on its own sales. A person that provides a certified automated system is responsible for the proper functioning of that system and is liable to this state for underpayments of tax attributable to errors in the functioning of the certified automated system. A seller that uses a certified automated system remains responsible and is liable to the state for reporting and remitting tax.

c. A model 3 seller shall use its own proprietary automated system to calculate tax due and collect and remit tax on its own sales. A model 3 seller is liable for the failure of its proprietary automated system to meet the applicable performance standard.

d. A model 2, model 3, or model 4 seller making no sales sourced in the state in the preceding twelve months may elect to be registered in the state as a seller that anticipates making no sales sourced in the state. Making such an election shall not relieve the seller of the obligation to collect and remit sales or use taxes on sales sourced in the state.

4. The provisions of [this section](#) shall not be construed to relieve a seller of the obligation to register in the state if required to do so, and to collect and remit sales or use taxes for at least thirty-six months and to meet any other requirements necessary for amnesty in Iowa under the terms of an agreement as provided in [section 423.54](#).

[2003 Acts, 1st Ex, ch 2, §141, 205; 2010 Acts, ch 1145, §12 – 14, 17; 2019 Acts, ch 152, §30; 2022 Acts, ch 1138, §52](#)

Referred to in [§423.49](#)

#### **423.49 Return requirements — electronic filing.**

1. Except as provided in [subsection 7](#), all sellers registered under the agreement shall file a single return per month for the state and all taxing jurisdictions within this state.

2. The director shall by rule determine the date on which returns shall be filed. The date shall not be earlier than the twentieth day of the following month.

3. The department shall provide to all registered and unregistered sellers, except sellers of products qualifying for exclusion from the provisions of [section 308](#) of the agreement, a simplified return that can be filed electronically.

a. The simplified return shall be provided in a form approved by the governing board and shall not contain a field unless that field has been approved by the governing board.

b. The simplified return shall contain two parts. The first part shall contain information relating to remittances and allocations. The second part shall contain information relating to exempt sales.

c. The department shall notify the governing board if the submission of the second part of the return is no longer necessary.

d. The department shall not require a model 4 seller to submit the second part of the simplified return but may provide for another means of collecting the information contained in the second part of the return as described in [subsection 4](#), paragraph “e”.

4. a. A certified service provider shall file a simplified return electronically on behalf of a model 1 seller and shall file audit reports for the seller as provided for in [article V](#) of the rules and procedures of the agreement.

b. A certified service provider shall file the first part of the simplified return, as described in [subsection 3](#), once per month, as required pursuant to [subsection 1](#).

c. A model 1 seller may file both the first and second parts of the simplified return. Model 1 sellers filing both parts shall also file audit reports as described in paragraph “a”.

d. A model 4 seller, or a seller not registered under the agreement who is otherwise registered in the state, may elect to file a simplified return. Model 4 sellers, or sellers not registered under the agreement who are otherwise registered in the state, electing to do so shall file the first part of the return each month.

e. A model 4 seller required to register in the state, or a seller not registered under the agreement who is otherwise registered in the state, may submit the information collected in the second part of the return in one of the following ways:

(1) By filing monthly both the first and second parts electronically on a simplified return as described in [subsection 3](#).

(2) By filing the second part together with the required December filing of the first part. A seller filing the second part of a return pursuant to this subparagraph shall include information for all months of that calendar year and shall report the information in an annual rather than a monthly fashion.

(3) The department shall notify the governing board prior to requiring the submission of the second part of the simplified return pursuant to this paragraph “e”.

5. The department shall adopt rules for the filing of returns by a model 4 seller electing not to file a simplified return pursuant to [this section](#).

6. A seller which has previously elected to file a simplified return shall provide at least three months’ notice of an intent to discontinue the filing of such returns.

7. a. A seller making the election under [section 423.48](#), [subsection 3](#), paragraph “d”, is exempt from the requirements of [this section](#) and shall not be required to file a return.

b. The exemption allowed under paragraph “a” is only applicable as long as a seller makes

no taxable sales in this state. If a seller makes a taxable sale in this state, the seller shall file a return the month after such a sale is made.

8. A seller may file a return for more than one legal entity at the same time only if such entities are affiliated.

9. The department shall adopt a standardized process for the transmission and receipt of returns and related information. The adoption of a procedure pursuant to [this subsection](#) is subject to the approval of the governing board.

10. a. The department shall notify a seller registered under the agreement that has no obligation to register in this state of a failure to file a return required under [this section](#) and allow the seller at least thirty days after such notification to file the return.

b. A liability amount may be established for an assessment of taxes based solely on a seller's failure to timely file a return if such seller has a history of nonfiling or late filing.

[2003 Acts, 1st Ex, ch 2, §142, 205; 2010 Acts, ch 1145, §15, 17; 2012 Acts, ch 1066, §4, 5](#)

Referred to in [§423.31](#)

#### **423.50 Remittance of funds.**

1. Only one remittance of tax per return is required.

2. All remittances shall be remitted electronically.

3. Electronic payments may be made either by automated clearinghouse credit or automated clearinghouse debit. Any data accompanying a remittance must be formatted using uniform tax type and payment codes approved by the governing board established pursuant to the agreement. An alternative method for making same-day payments shall be determined under rules adopted by the director.

4. The department shall adopt a standardized process for the remittance of tax payments. The procedure shall have the capability of processing multiple payments and simplified returns by affiliated entities, certified service providers, or tax preparers. The process adopted pursuant to [this subsection](#) is subject to the approval of the governing board.

[2003 Acts, 1st Ex, ch 2, §143, 205; 2010 Acts, ch 1145, §16, 17; 2011 Acts, ch 92, §10, 11; 2022 Acts, ch 1061, §64; 2022 Acts, ch 1138, §24](#)

#### **423.51 Administration of exemptions.**

1. The following provisions shall apply when a purchaser claims an exemption:

a. The seller shall obtain identifying information of the purchaser and the reason for claiming a tax exemption at the time of the purchase as determined by the member states acting jointly.

b. A purchaser is not required to provide a signature to claim an exemption from tax unless a paper certificate is used.

c. The seller shall use the standard form for claiming an exemption electronically as adopted jointly by the member states.

d. The seller shall obtain the same information for proof of a claimed exemption regardless of the medium in which the transaction occurred.

e. The department may authorize a system wherein the purchaser exempt from the payment of the tax is issued an identification number which shall be presented to the seller at the time of the sale.

f. The seller shall maintain proper records of exempt transactions and provide them to the department when requested.

g. The department shall administer entity-based and use-based exemptions when practicable through a direct pay tax permit, an exemption certificate, or another means that does not burden sellers. For the purposes of this paragraph:

(1) An *“entity-based exemption”* is an exemption based on who purchases the product or who sells the product.

(2) A *“use-based exemption”* is an exemption based on the purchaser's use of the product.

2. Sellers that follow the requirements of [this section](#) are relieved from any tax otherwise applicable if it is determined that the purchaser improperly claimed an exemption and that the purchaser is liable for the nonpayment of tax. This relief from liability does not apply to a seller who does any of the following:

- a. Fraudulently fails to collect tax.
- b. Solicits purchasers to participate in the unlawful claim of an exemption.
- c. Accepts an exemption certificate when the purchaser claims an entity-based exemption when the following conditions are met:
  - (1) The subject of the transaction sought to be covered by the exemption certificate is actually received by the purchaser at a location operated by the seller.
  - (2) The state provides an exemption certificate that clearly and affirmatively indicates that the claimed exemption is not available in the state.
3. a. A seller otherwise obligated to collect tax from a purchaser is relieved of that obligation if the seller obtains a fully completed exemption certificate or secures the relevant data elements of a fully completed exemption certificate within ninety days after the date of sale.
  - b. If the seller has not obtained an exemption certificate or all relevant data elements as provided in paragraph “a”, the seller may, within one hundred twenty days after a request for substantiation by the department, either prove that the transaction was not subject to tax by other means or obtain a fully completed exemption certificate from the purchaser, taken in good faith.
  - c. Nothing in [this subsection](#) shall affect the ability of the state to require purchasers to update exemption certificate information or to reapply with the state to claim certain exemptions.
  - d. Notwithstanding paragraphs “a”, “b”, and “c”, a seller is relieved of its obligation to collect tax from a purchaser if the seller obtains a blanket exemption certificate from the purchaser, and the seller and purchaser have a recurring business relationship. For the purposes of this paragraph, a recurring business relationship exists when a period of no more than twelve months elapses between sales transactions. The department may not request from the seller renewal of blanket certificates or updates of exemption certificate information or data elements when there is a recurring business relationship between the purchaser and seller.
4. All relief that [this section](#) provides to sellers is also provided to certified service providers under [this chapter](#).

[2003 Acts, 1st Ex, ch 2, §144, 205; 2006 Acts, ch 1158, §77, 78, 80; 2007 Acts, ch 179, §7](#)

#### **423.52 Relief from liability for sellers and certified service providers.**

1. Sellers and certified service providers using databases derived from zip codes or state or vendor provided address-based databases are relieved from liability to this state or its local taxing jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on erroneous data provided by this state on tax rates, boundaries, or taxing jurisdiction assignments. If this state provides an address-based system for assigning taxing jurisdictions, the director is not required to provide liability relief for errors resulting from reliance on a database derived from zip codes and provided by this state if the director has given adequate notice, as determined by the governing board, to affected parties of the decision to end this relief.

2. a. Model 2 sellers and certified service providers are relieved of liability to Iowa for any failure to charge and collect the correct amount of sales or use tax if this failure results from the model 2 seller’s or the certified service provider’s reliance upon this state’s certification to the governing board that Iowa has accepted the governing board’s certification of a piece of software as a certified automated system. The relief provided by this paragraph to a model 2 seller or certified service provider does not extend to a seller or provider who has incorrectly classified an item or transaction into the product-based exemptions portion of a certified automated system. However, any model 2 seller or certified service provider who has relied upon an individual listing of items or transactions within a product definition approved by the governing board or Iowa may claim the relief allowed by this paragraph.

b. If the department determines that an item or transaction is incorrectly classified as to its taxability, the department shall notify the model 2 seller or certified service provider of the incorrect classification. The model 2 seller or certified service provider shall have ten days to revise the classification after receipt of notice of the determination. Upon expiration of

the ten days, the model 2 seller or certified service provider shall be liable for the failure to collect the correct amount of sales or use taxes due and owing to the member state.

3. a. Sellers and certified service providers are relieved from liability to this state or its local taxing jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on erroneous data provided in the state's taxability matrix.

b. Sellers and certified service providers that rely upon a prior version of the state's taxability matrix shall be relieved of liability to the state and its local taxing jurisdictions until the first day of the calendar month that is at least thirty days after notice of a change to the taxability matrix is submitted by the state to the governing board.

2003 Acts, 1st Ex, ch 2, §145, 205; 2006 Acts, ch 1158, §79, 80; 2012 Acts, ch 1066, §6; 2015 Acts, ch 94, §2

Referred to in §423.34A

#### **423.53 Bad debts and model 1 sellers.**

A certified service provider may claim, on behalf of a model 1 seller, any bad debt deduction as provided in [section 423.21](#). The certified service provider must credit or refund the full amount of any bad debt deduction or refund received to the seller.

2003 Acts, 1st Ex, ch 2, §146, 205

#### **423.54 Amnesty for registered sellers.**

1. Subject to the limitations in [subsections 2 through 6](#), the following provisions apply:

a. Amnesty is provided for uncollected or unpaid sales or use tax to a seller who registers to pay or to collect and remit applicable sales or use tax on sales made to purchasers in this state in accordance with the terms of the agreement, provided the seller was not so registered in this state in the twelve-month period preceding the commencement of Iowa's participation in the agreement.

b. Amnesty precludes assessment of the seller for uncollected or unpaid sales or use tax together with penalty or interest for sales made during the period the seller was not registered in this state, provided registration occurs within twelve months of the commencement of Iowa's participation in the agreement.

c. Amnesty shall be provided to any seller lawfully registered under the agreement by any other member state prior to the date of the commencement of Iowa's participation in the agreement.

2. Amnesty is not available to a seller with respect to any matter or matters for which the seller received notice of the commencement of an audit and which audit is not yet finally resolved, including any related administrative and judicial processes.

3. Amnesty is not available for sales or use taxes already paid or remitted or to taxes collected by the seller.

4. Amnesty is fully effective absent the seller's fraud or intentional misrepresentation of a material fact as long as the seller continues registration and continues payment or collection and remittance of applicable sales or use taxes for a period of at least thirty-six months. The statute of limitations applicable to asserting a tax liability is tolled during this thirty-six month period.

5. Amnesty is applicable only to sales or use taxes due from a seller in its capacity as a seller and not to sales or use taxes due from a seller in its capacity as a buyer.

6. The director may allow amnesty on terms and conditions more favorable to a seller than the terms required by [this section](#).

2003 Acts, 1st Ex, ch 2, §147, 205

Referred to in §423.48

#### **423.55 Databases.**

The department shall provide and maintain databases required by the agreement for the benefit of sellers registered under the agreement.

2003 Acts, 1st Ex, ch 2, §148, 205

Referred to in §423.34A

**423.56 Confidentiality and privacy protections under model 1.**

1. As used in [this section](#):
  - a. “Anonymous data” means information that does not identify a person.
  - b. “Confidential taxpayer information” means all information that is protected under this state’s laws, rules, and privileges.
  - c. “Personally identifiable information” means information that identifies a person.
2. With very limited exceptions, a certified service provider shall perform its tax calculation, remittance, and reporting functions without retaining the personally identifiable information of consumers.
3. A certified service provider may perform its services in this state only if the certified service provider certifies that:
  - a. Its system has been designed and tested to ensure that the fundamental precept of anonymity is respected.
  - b. Personally identifiable information is only used and retained to the extent necessary for the administration of model 1 sellers with respect to exempt purchasers.
  - c. It provides consumers clear and conspicuous notice of its information practices, including what information it collects, how it collects the information, how it uses the information, how long, if at all, it retains the information, and whether it discloses the information to member states. This notice shall be satisfied by a written privacy policy statement accessible by the public on the official internet site of the certified service provider.
  - d. Its collection, use, and retention of personally identifiable information is limited to that required by the member states to ensure the validity of exemptions from taxation that are claimed by reason of a consumer’s status or the intended use of the goods or services purchased.
  - e. It provides adequate technical, physical, and administrative safeguards so as to protect personally identifiable information from unauthorized access and disclosure.
4. The department shall provide public notification of its practices relating to the collection, use, and retention of personally identifiable information.
5. When any personally identifiable information that has been collected and retained by the department or certified service provider is no longer required for the purposes set forth in [subsection 3](#), paragraph “d”, that information shall no longer be retained by the department or certified service provider.
6. When personally identifiable information regarding an individual is retained by or on behalf of this state, this state shall provide reasonable access by the individual to the individual’s own information in the state’s possession and a right to correct any inaccurately recorded information.
7. This privacy policy is subject to enforcement by the department and the attorney general.
8. This state’s laws and rules regarding the collection, use, and maintenance of confidential taxpayer information remain fully applicable and binding. Without limitation, the agreement does not enlarge or limit the state’s or department’s authority to:
  - a. Conduct audits or other review as provided under the agreement and state law.
  - b. Provide records pursuant to its examination of public records law, disclosure laws of individual governmental agencies, or other regulations.
  - c. Prevent, consistent with state law, disclosures of confidential taxpayer information.
  - d. Prevent, consistent with federal law, disclosures or misuse of federal return information obtained under a disclosure agreement with the internal revenue service.
  - e. Collect, disclose, disseminate, or otherwise use anonymous data for governmental purposes.
9. This privacy policy does not preclude the certification of a certified service provider whose privacy policy is more protective of confidential taxpayer information or personally identifiable information than is required by the agreement.

[2003 Acts, 1st Ex, ch 2, §149, 205; 2005 Acts, ch 3, §69; 2013 Acts, ch 90, §257](#)

**423.57 Statutes applicable.**

The director shall administer [this subchapter](#) as it relates to the taxes imposed in [this chapter](#) in the same manner and subject to all the provisions of, and all of the powers, duties, authority, and restrictions contained in [sections 423.14, 423.14A, 423.14B, 423.15, 423.16, 423.17, 423.19, 423.20, 423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31, 423.33, 423.34, 423.34A, 423.35, 423.37, 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection 1, and sections 423.45, 423.46, and 423.47.](#)

2003 Acts, 1st Ex, ch 2, §150, 205; 2007 Acts, ch 179, §5, 6, 10; 2008 Acts, ch 1113, §114, 122, 131; 2012 Acts, ch 1110, §21; 2018 Acts, ch 1161, §223, 229; 2022 Acts, ch 1138, §25; 2023 Acts, ch 115, §34, 40

2023 amendment effective January 1, 2024; 2023 Acts, ch 115, §40  
Section amended

**423.58 Collection, permit, and tax return exemption for certain out-of-state businesses.**

Notwithstanding [sections 423.14, 423.14A, 423.14B, 423.29, 423.31, and 423.36](#), a person meeting the requirements of [section 29C.24](#) is not required to obtain a sales or use tax permit, collect and remit sales and use tax, or make and file applicable sales or use tax returns, as provided in [section 29C.24, subsection 3, paragraph “a”, subparagraph \(2\).](#)

2016 Acts, ch 1095, §11, 14; 2018 Acts, ch 1161, §224, 229; 2022 Acts, ch 1138, §26