

423.2 Tax imposed.

1. There is imposed a tax of six percent upon the sales price of all sales of tangible personal property, consisting of goods, wares, or merchandise, 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, photography, retouching, printing, and binding services.
- (2) Sales of vulcanizing, recapping, and retreading services.
- (3) Sales of prepaid telephone calling cards and prepaid authorization numbers.
- (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](#).

If the optional service or warranty contract is a computer software maintenance or support service contract and there is no separately stated fee for the taxable personal property or for the nontaxable service, the tax imposed by [this subsection](#) shall be imposed on fifty percent of the sales price from the sale of such contract. If the contract provides for technical support services only, no tax shall be imposed under [this subsection](#). The provisions of this subparagraph (4) also apply to the use tax.

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 retail sales 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without liability for the tax if such property will be subject to the tax at the time of resale or at the time it is withdrawn from inventory for construction purposes.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.7B](#), 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.7B](#), 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](#): alteration and garment repair; armored car; vehicle repair; battery, tire, and allied; investment counseling; service charges of all financial institutions; barber and beauty; boat repair; vehicle wash and wax; campgrounds; carpentry; roof, shingle, and glass repair; dance schools and dance studios; dating services; dry cleaning, pressing, dyeing, and laundering; electrical and electronic repair and installation; excavating and grading; farm implement repair of all kinds; flying service; furniture, rug, carpet, and upholstery repair and cleaning; fur storage and repair; golf and country clubs and all commercial recreation; gun and camera repair; house and building moving; household appliance, television, and radio repair; janitorial and building maintenance or cleaning; jewelry and watch repair; lawn care, landscaping, and tree trimming and removal; limousine service, including driver; machine operator; machine repair of all kinds; motor repair; motorcycle, scooter, and bicycle repair; oilers and lubricators; office and business machine repair; painting, papering, and interior decorating; parking facilities; pay television; pet grooming; pipe fitting and plumbing; wood preparation; executive search agencies; 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; reflexology; security and detective services; sewage services for nonresidential commercial operations; sewing and stitching; shoe repair and shoeshine; sign construction and installation; storage of household goods, mini-storage, and warehousing of raw agricultural products; swimming pool cleaning and maintenance; tanning beds or salons; taxidermy services; telephone answering service; test laboratories, including mobile testing laboratories and field testing by testing laboratories, and excluding tests on humans or animals; termite, bug, roach, and pest eradicators; tin and sheet metal repair; transportation service consisting of the rental of recreational vehicles or recreational boats, or the rental of motor 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; Turkish baths, massage, and reducing salons, excluding services provided by massage therapists licensed under [chapter 152C](#); water conditioning and softening; weighing; welding; well drilling; wrapping, packing, and packaging of merchandise other than processed meat, fish, fowl, and vegetables; wrecking service; wrecker and towing.

For the purposes of [this subsection](#), “*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](#), savings and loan associations and savings banks organized under [chapter 534](#), 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.

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.

9. A tax of six percent is imposed upon the sales price from any mobile telecommunications service which this state is allowed to tax by 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. Any person or that person's affiliate, which is a retailer in this state or a retailer maintaining a business in this state under [this chapter](#), that enters into a contract with an agency of this state must register, collect, and remit Iowa sales tax under [this chapter](#) on all sales of tangible personal property and enumerated services. Every bid submitted and each contract 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 and will collect and remit Iowa sales tax due under [this chapter](#). In the certification, the bidder or contractor shall also acknowledge that the state agency may declare the contract or bid void if the certification is false. Fraudulent certification, by act or omission, may result in the state agency or its representative filing for damages for breach of contract.

For the purposes of [this subsection](#), the following definitions apply:

a. "Affiliate" means any entity to which any of the following applies:

(1) Directly, indirectly, or constructively controls another entity.

(2) Is directly, indirectly, or constructively controlled by another entity.

(3) Is subject to the control of a common entity. A common entity is one which owns directly or individually more than ten percent of the voting securities of the entity.

b. "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 comprehensive annual financial report, including public institutions of higher education.

c. "Voting security" means a security to which any of the following applies:

(1) 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.

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

(3) Is a general partnership interest.

11. a. All revenues arising under the operation of the provisions of [this section](#) 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 December 31, 2029.

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

13. The sales tax rate of six percent is reduced to five percent on January 1, 2030.

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

Referred to in [§28A.17](#), [29C.15](#), [99B.7B](#), [123.187](#), [321.105A](#), [328.26](#), [423.1](#), [423.3](#), [423.4](#), [423.5](#), [423.6](#), [423.22](#), [423.26](#), [423.30](#), [423.34](#), [423.36](#), [423.40](#), [423.41](#)

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

Former §423.2 repealed effective July 1, 2004, by 2003 Acts, 1st Ex, ch 2, §151, 205

2006 amendment to subsection 8 takes effect January 1, 2008; 2006 Acts, ch 1158, §80

Applicability of tax increase to certain sales; refunds to certain construction contractors; 2008 Acts, ch 1134, §35, 36