

### 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 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without liability for the tax if such property will be subject to the tax at the time of resale or at the time it is withdrawn from inventory for construction purposes.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.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

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.

Legislative intent regarding 2018 amendments relating to pay television service; [2018 Acts, ch 1161, §227](#)  
Subsection 1, unnumbered paragraph 1 amended