

701—284.14(422,423) Chemicals, solvents, sorbents, or reagents used in processing. Chemicals, solvents, sorbents, and reagents directly used and consumed, dissipated, or depleted in processing tangible personal property intended to be sold ultimately at retail shall be exempt from sales and use tax. For the purpose of this rule for periods on or after January 1, 1980, free newspapers or shoppers' guides or both are considered to be retail sales for the purpose of the processing exemption.

284.14(1) Definitions.

a. "Chemical" is a substance which is primarily used for producing a chemical effect. A chemical effect results from a chemical process wherein the number and kind of atoms in a molecule are changed in form (e.g., where oxygen and hydrogen are combined to make water). A chemical process is distinct from a physical process wherein only the state of matter changes (e.g., where water is frozen into ice or heated into steam).

b. "Solvent" is a substance (usually liquid) primarily used in dissolving something; as water is the appropriate solvent of most salts, alcohol of resins, and ether of fats.

c. "Sorbent" is a substance which takes up and holds either by adsorption or absorption. To be a sorbent for purpose of the exemption, a substance must be primarily used as a sorbent.

d. "Reagent" is a substance used for various purposes, (as in detecting, examining, or measuring other substances, in preparing materials, in developing photographs) because it takes part in one or more chemical reactions or biological processes. A reagent is also a substance used to convert one substance into another by means of the reaction which it causes. To be a reagent for purpose of the exemption, a substance must be primarily used as a reagent.

For the purpose of this rule, a catalyst is considered to be a chemical, solvent, sorbent, or reagent. A catalyst is a substance which promotes or initiates a chemical reaction, and as such is exempt from tax if consumed, dissipated, or depleted during processing of tangible personal property which is intended to be ultimately sold at retail.

284.14(2) Conditions for exemption. To qualify for this exemption, all of the following conditions must be met:

a. The item must be a chemical, solvent, sorbent, or reagent.

b. The chemical, solvent, sorbent, or reagent must be directly used and consumed, dissipated, or depleted during processing as defined in rule 701—18.29(422,423).

c. The processing must be performed on tangible personal property intended to be sold ultimately at retail.

d. The chemical, solvent, sorbent, or reagent need not become an integral or component part of the processed tangible personal property.

This rule is intended to implement Iowa Code sections 422.42(3) and 423.1(1).

[Editorial change: IAC Supplement 11/2/22]