

**701—211.4(423) Services purchased for resale.** Services purchased for resale are not subject to sales tax. A service is purchased for resale when it is subcontracted by the person contracted to perform the service. Tax imposed on services is collectible at the time the service is complete even if the services are not purchased by the ultimate beneficiary.

EXAMPLE 1: X is a printer and enters into a contract with Y to print 500 bulletins. X subcontracts the job to Z, who prints the 500 bulletins. Tax does not apply to the contract between X and Z since X purchased the printing service from Z for resale to Y. The sale from X to Y is subject to sales tax.

EXAMPLE 2: D owns an auto repair shop, and F brings an automobile in to have the air conditioner fixed. D is unable to fix the unit, so the car is sent to G who is an air conditioning specialist. The sale of G's service to D is a sale for resale by D to F, so there is no tax imposed. The sale from D to F is subject to sales tax.

EXAMPLE 3: K operates a test laboratory business. K agrees to provide testing services to J. In the course of conducting the tests, K rents equipment from M. In computing the fee that J has agreed to pay K for testing services, K will include K's costs, including the taxable rental K paid to M in rendering the testing services. Under these circumstances, K furnished J with testing services and not with the equipment rental services, which M furnished to K. K is the consumer of the equipment rental services that are not resold to J, and J is the consumer of the testing services. Rule 701—288.3(423) contains more information regarding resale certificates.

EXAMPLE 4: R operates a retail farm implement dealership. R accepts a motorboat as part consideration for a piece of farm equipment. R then contracts with D to repair the motor on the boat. R does not normally sell motorboats in the regular course of R's business. Therefore, the repair service performed by D for R is subject to sales tax.

This rule is intended to implement Iowa Code section 423.3(2).  
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