Iowa Sales and Use Tax Guide

This sales and use tax document should not be considered an all-inclusive discussion of Iowa sales and use tax law. For additional assistance, contact Taxpayer Services at 515-281-3114 or 1-800-367-3388 on specific issues that apply to your business situation. If needed, we will assist in your research on the Department's Iowa Tax Research Library, which contains statutes, rules, regulations, and more.

Other Types of Permits

Taxes and Tax Rates

Completing the Return

Sales Tax Permit Information

Obtaining a Permit

Anyone selling taxable goods or services from an Iowa location must obtain a sales tax permit. Selling without a permit is a serious misdemeanor. The permit is available at no charge. You can apply for an Iowa tax permit one of two ways:

1. Online or
2. Paper: Iowa Business Tax Registration form (pdf)

You will receive your permit number faster by applying online. The permit number will be printed on a postcard and mailed to you. You are not required to display it; however, it should be readily available to prove you have a permit.

You may begin making sales and collecting sales tax when you apply; you do not have to wait to receive your permit number.

A retail sales tax permit is not a license to purchase items tax free. It is a permit to collect and remit sales tax.

Effective Dates

Once issued, a sales tax permit is effective until it is canceled by the retailer or revoked by the Department.

Business Location

A sales tax permit must be obtained for each Iowa business location. A business owner who changes location in the same county does not need a new permit, but should notify the Department of the change. If the location is in a different county, the owner must apply for a new permit. A new permit is not required when a mailing address changes; the permit holder should, however, notify the Department. Changes to permit information can be made online or by using form 92-033, Request for Change, Correction or Cancellation of Tax Permit (pdf).

Changing Ownership

If the owner or type of ownership changes, the sales tax permit must be canceled by notifying the Department. For example, if ownership of a business changes from a sole proprietor to a partnership or other type of ownership, the current permit must be canceled and application for a new permit must be made. The permit is not transferable from one owner or ownership type to another. The permits may be canceled online or by using form 92-033, Request for Change, Correction or Cancellation of Tax Permit (pdf).

Consolidated Permit for Multiple Locations

If a business has two or more Iowa locations and, therefore, two or more sales tax permits, it may request to file a consolidated return. Please contact Taxpayer Services at 1-800-367-3388 or 515-281-3114 for more information.

Temporary Businesses

The Department issues a nonpermit identification certificate free of charge to temporary businesses. A form is provided to report any taxes collected and must be returned whether there were sales or not. Business people such as concessionaires and those who sell from trucks or roadside stands should obtain this type of permit. Call our office in Davenport at 563/386-6484 x1.

Not sure you need a permit? Contact Taxpayer Services first; 1-800-367-3388 or 515-281-3114.

Temporary Event Sponsors

Sponsors of flea markets, craft shows, antique shows and other temporary events are liable for payment of the sales tax, penalty and interest of the retailers selling at the event, unless they verify that the exhibitors are licensed to collect and remit sales tax. Sponsors should obtain from each exhibitor a valid sales tax permit or retailer’s use tax permit number or confirmation they have applied for a temporary selling permit by calling the Davenport office at 563/386-6484 x1.

Businesses that have regular sales tax permits or retailer’s use tax permits may remit the sales tax collected under their regular number and usual return.

Special events application for a temporary sales tax permit

Denying a Permit

The Department may deny permits to applicants who are currently substantially delinquent in paying any tax, interest or penalty, or had a previous delinquent liability with the Department.

The application of a partnership may be denied if a partner is delinquent, or had a previous delinquent liability with the Department. If the applicant is a corporation, the application may be denied if an officer having substantial legal or equitable interest in the ownership of the corporation owes any delinquent tax, penalty or interest, or had a previous delinquent liability with the Department.

A permit may be denied to any individual applicant if the Department has received a Certificate of Noncompliance from the Child Support Recovery Unit.

Revoking a Permit

The Department may revoke the permit of a permit holder who is substantially delinquent in paying any tax, interest or penalty. When a return is not filed for a particular period, the Department might assume a delinquency exists, even if no sales occurred during the period. Returns must be filed showing zeroes, even if there are no sales.

When a permit is revoked, the retailer may wait as long as 90 days before the permit can be restored or a new permit issued. Anyone knowingly making sales after a permit has been revoked and before it is restored may be found guilty of an aggravated misdemeanor.

A revoked permit will not be reinstated if the Department has received a Certificate of Noncompliance from the Child Support Recovery Unit if the permit holder is an individual requesting reinstatement.

Loss or Destruction of Permit

The Department will furnish a duplicate copy when an active permit is lost or destroyed. Permits are mailed in a postcard format. The permit number is not required to be posted on the wall of the business establishment. It must, however, be available if a Department representative requests to see it.

Other Types of Permits

Use Tax

The use tax is complementary to sales tax. The general rule is when a transaction is subject to sales tax but occurs outside of Iowa for use in Iowa (a taxable use), it is subject to use tax.

Two types of use tax recognized by the State of Iowa are retailer's use tax and consumer's use tax. The difference between the two is who is initially responsible for remitting the tax.

Taxable Use

"Taxable use" is defined as the exercise of any right of ownership over tangible personal property by any person owning the property. This includes any taxable services rendered, furnished or performed for use in Iowa or if the product or result of service is used in Iowa.

Retailer's Use Tax

Every out-of-state retailer who has "nexus" in Iowa and makes sales of tangible personal property or taxable services in Iowa must obtain a retailer's use tax permit. The permit is free of charge.

To apply for a retailer's use tax permit, complete the Business Tax Registration form online or by using form 78-005 (pdf).

Nexus

Businesses located outside of Iowa frequently have representatives and/or employees in Iowa to maintain, establish, or further their market share within the state. The activities of these persons may create an Iowa tax filing requirement (nexus) for these businesses.

Consumer's Use Tax

Persons regularly purchasing taxable goods or services for their own use in Iowa from an out-of-state source not collecting Iowa tax must register with the Department to remit consumer's use tax. Registration is free. A physical permit is not issued, although a consumer's use tax number is assigned.

To apply for a consumer’s use tax permit, complete the Business Tax Registration form online or by using form 78-005 (pdf).

The consumer's use tax rate through June 30, 2008, is 5 percent. Beginning July 1, 2008, the rate is 6 percent.

Occasionally, a business will make a purchase for its own use and owe Iowa consumer’s use tax. The business can report the purchase and pay the tax due on its quarterly sales tax return on line 2 “goods consumed.”

Iowa customers who order items from catalogs, by Internet or other sources and have not paid the tax may send the tax to the Department with a note to Sales/Use Tax Processing, Iowa Department of Revenue, P.O. Box 10412, Des Moines, IA 50306-0412.

Consumers who make out-of-state purchases and pay another state’s sales tax pay only the difference of tax due to Iowa. For example: An Iowa business or resident purchases furniture with delivery taken in another state and pays a 4 percent sales tax to that state. Iowa’s use tax rate is 6 percent (as of July 1, 2008). The business or resident then owes Iowa 2 percent use tax. Additional information is available in “Consumer’s use tax.” (78-535)

Direct Pay Permit

A few qualified purchasers, users, and consumers of tangible personal property or enumerated (taxable) services may remit the tax directly to the Department rather than to their suppliers. To qualify for a Direct Pay Permit, both of the following must be met:

1. The applicant must be a purchaser, user, or consumer of tangible personal property or enumerated services, and
2. The applicant must have an accrual of sales and use tax liability on consumed goods of $4,000 in a semimonthly period.

Application for Direct Pay Permit (pdf)

Streamlined Sales Tax

Iowa is participating in the Streamlined Sales Tax Project (SSTP), an initiative to encourage businesses in all states to collect and remit sales tax in every state in which they make taxable sales.

Personal Liability

Certain corporate or associate officers and partners of a partnership are personally liable for paying sales and use taxes, interest, and penalty when the corporation, association or partnership fails to do so.

A person selling his or her business must file final tax returns and pay all taxes due. If the seller fails to pay the final tax due, the new owner must withhold a sufficient amount of the purchase price to pay any unpaid tax, interest and penalty. If the new owner intentionally fails to do this, he or she is personally liable for the tax.

Taxes and Tax Rates

State Sales Tax

The state sales tax rate and the use tax rate are the same. Through June 30, 2008, the rate is 5 percent. Beginning July 1, 2008, the rate is 6 percent.

Local Option Sales Tax

Prior to July 1, 2008, Iowa had two types of local option sales tax: "regular" local option and school local option. Beginning July 1, 2008, the state rate increased to 6 percent and the school local option tax was removed. In addition to the state tax, local jurisdictions may impose the local option sales tax.

The “regular” local option sales tax (LOST) began in 1986. Within a county, some cities may have the regular local option tax, some may not. Also, the unincorporated rural area of a county may or may not have the tax. The rate is up to 1 percent.

“Delivery”

Tax applies if “delivery” of taxable goods or services occurs within a local option jurisdiction. “Delivery” is the location in which ownership of tangible personal property is transferred from the seller to the buyer or the location in which a service is rendered, furnished or performed. If delivery occurs in a local option tax jurisdiction, then the local option tax must be collected on the transaction.

Destination and means of delivery determine if tax applies. Examples (pdf)

Exceptions

As a general rule, local option sales tax is collected on the sale of the same services and tangible personal property that are subject to the state tax and delivered in those jurisdictions.

However, the following are exceptions in which state tax may be imposed, but local option tax is not:

- room rentals, in a hotel, motel, or other similar facility
- sales of equipment by the State Department of Transportation
- sales of natural gas or electric energy subject to a city- or county-imposed franchise fee or users fee

- the sale of direct-to-home satellite pay television service
- self-propelled building equipment, pile drivers, motorized scaffolding, or attachments customarily drawn or attached to them, including auxiliary attachments which improve their performance, safety, operation, or efficiency and including replacement parts used by contractors, subcontractors and builders for new construction, reconstruction, alterations, expansion or remodeling of real property or structures

There is no local option use tax; therefore, sales that are subject to a use tax are not subject to local option sales tax. However, out-of-state retailers will be required to charge LOST in some cases.

Jurisdiction lists by county or city are updated January 1 and July 1 of each year. Rate charts are also available.

For more detailed information about local option sales tax, obtain "Local Option Tax Questions and Answers."

Hotel / Motel Tax

Certain cities and counties in Iowa have adopted a local option hotel/motel tax which is assessed on the renting of sleeping rooms in any hotel, motel, inn, public lodging house, rooming house, tourist court, mobile home, bed and breakfast, or in any place where sleeping accommodations are furnished to transient guests for rent. These rentals are subject to a state rate of 5 percent.

The rate of local hotel/motel tax can range from 1 to 7 percent. Jurisdictions and rates are updated January 1 and July 1 of each year.

Motor Vehicle Purchases

Sales of vehicles subject to registration are exempt from sales tax, but are subject to a 5 percent one-time registration fee.

Motor Vehicle Leases

To be subject to the one-time registration fee on leased vehicles, a vehicle subject to registration must have a gross vehicle weight rating of less than 16,000 pounds and be leased for a period of 12 months or more. (Motorcycles and motorized bicycles are excluded.)

The 5 percent fee is computed on each lease transaction based on the lease price. The lease price includes the number of months of the lease multiplied by the monthly lease payments, plus certain adjustments.

More information

Automobile Rental Tax

In addition to the state sales tax and local option tax (if applicable), the lease or rental of automobiles is subject to a car rental tax of 5 percent. This applies to vehicles designed to carry nine or fewer passengers. It does not apply to delivery trucks designed to carry cargo or to motorcycles or motorized bicycles.

The automobile rental tax is reported and remitted on the quarterly sales tax return. No permit other than an Iowa sales tax permit is required to collect and report this tax.

More information

Purchase Price / Sale Price

The basis for Iowa tax is the purchase or sale price of tangible personal property or enumerated (taxable) services. "Purchase price" or "sale price" means the total amount of consideration, including cash, credit, property and services, for which personal property or services are sold, leased or rented.

All sales of tangible personal property in Iowa are subject to sales tax unless exempted by state law. Sales of services are exempt from Iowa sales tax unless taxed (enumerated) by state law.

The retailer must add the tax to the price of the goods or services and collect the tax from the purchaser. The retailer cannot in any way indicate that the sales tax is being "absorbed." A retailer may include the tax in the price, which is typically done, but not limited to, when selling alcoholic beverages and admissions to movie theaters and sporting events. When this happens, the retailer must post a notice or make a statement on the invoice that the purchase price includes the sales tax.

Sales tax is applied and due when taxable services are rendered, furnished or performed or when taxable goods are delivered, not when payment is received from the customer.

Return Filing

It is important to file and pay the returns and tax due by the due date to avoid penalty and interest. A return should be filed with zeros if a business does not have sales to report.

eFile & Pay

Iowa sales and use tax returns are filed electronically through eFile & Pay. The eFile & Pay system is a paperless method of filing Iowa tax deposits and returns. It also provides the option to pay electronically. A Business eFile Number (BEN) is assigned at the time a permit number is issued and is used to gain access to the eFile & Pay system. If you have questions about eFile & Pay, please contact our eFile Service Unit or call 515-281-8453 or 1-866-503-3453 (toll free).

Filing Frequency

A retailer is assigned a filing frequency based on the estimated amount of sales tax to be collected. Local option tax collections should not be included in the amount used to determine which filing frequency should be used.

A change of filing frequency may be necessary if tax collections increase or decrease substantially over multiple filing periods. Retailers who feel a change in filing frequency is required should request the change online or by using form 92-033, Request for Change, Correction or Cancellation of Tax Permit (pdf). Returns must be filed as usual until the filing frequency is changed. The change is usually effective at the beginning of the next year or quarter.

If a retailer does not have taxable sales during a filing period, he or she must file a timely return showing zeros.

If a due date falls on a Saturday, Sunday, or holiday, the taxpayer has until the following business day to remit the return and payment to the Department. The postmark date is accepted as the filing date.

Excel file of due dates

Sales Tax Filing Frequencies and Return Due Dates

- Annual: Less than $120 tax per year - The return is due and payable no later than January 31 following each calendar year.
- Quarterly: More than $120 but less than $6,000 tax per year ($30 - $1,500 per quarter) - The return is due on or before the last day of the month following the end of the calendar quarter.
- Monthly: More than $6,000 but less than $60,000 tax per year ($500 - $5,000 per month) - The monthly deposit is due by the 20th of the month following the month in which the tax is charged and only applies to the first two months in the quarter. (Monthly filers then file the quarterly return.)
- Semimonthly: More than $60,000 tax a year (more than $5,000 per month; more than $2,500 semi-monthly) - The first semimonthly deposit is for the period from the first of the month through the 15th and is due on the 25th of the month. The second semimonthly deposit is for the period from the 16th through the end of the month and is due on or before the 10th day of the month following the month of collection. However, the last semimonthly deposit of the calendar quarter is due on the last day of the month following the end of the quarter.

Retailer’s Use Tax Filing Frequencies and Return Due Dates

- Annual: Less than $120 tax per year - One return, filed annually, is due at the end of the month following the calendar year.
- Quarterly: Less than $1,500 per month - Quarterly returns are due on the last day of the month following each calendar quarter.
- Monthly: More than $1,500 per month - Returns are filed monthly. The first two returns of the calendar quarter are filed with a deposit by the 20th of the following month. The quarterly return and last deposit are due by the last day of the month following the calendar quarter.

Consumer’s Use Tax Filing Frequencies and Return Due Dates

- Annual: Less than $120 tax per year - One return, filed annually, is due at the end of the month following the calendar year.
- Quarterly: More than $120 tax per year - Quarterly returns are due on the last day of the month following each calendar quarter.

Common Problems with Completing the Return

Goods Consumed

This line on the return is commonly misunderstood. “Goods consumed” are items that you originally purchased tax free for direct resale or to be incorporated into a product for resale, but you used them in the course of your business or for other personal use instead.

Example

A hair salon purchases bottles of shampoo to be sold out of their display case. The salon did not pay sales tax to its supplier since it intends to directly resell the shampoo. However, several bottles were taken out of inventory and used in the performance of their service. The shampoo that was used is goods consumed. The salon must report the price it paid to its supplier on the goods consumed line of the return and pay tax on it.

Example

A clothing store purchases suits tax free for resale. The owner of the store needs a new suit. The suit removed from inventory is goods consumed and the price the owner paid to the supplier must be reported and the tax must be paid.

Example (not goods consumed)

A person who makes craft items to be sold at craft shows does not pay sales tax to suppliers for materials. These materials are incorporated into the craft items to be sold. They are not goods consumed and should not be reported on line 2.

Exemptions

Another misunderstood area is the exemptions/deductions area. Many taxpayers confuse this with the same types of deductions they are able to take on their income tax returns. Expenses of the business are reported on the IRS Schedule C, Profit or Loss from a Business, for income tax purposes, but are not included as exemptions on the sales/use tax return.

The following should be reported on line one, gross sales, and then exempted on line four of the return.

- Interstate Commerce: Items sold and delivered outside Iowa.
- New Construction: Sales of services performed on or in connection with new construction, reconstruction, alteration, expansion or remodeling of a building or structure. (This does not include sales to contractors who are eligible to purchase items tax free because they have a special “exempt entity” exemption certificate for a project with an exempt entity. These exempt sales will be shown in the “Other” category.)
- Industrial Machinery, Equipment and Computers: Sales of exempt industrial machinery, equipment and computers. This includes qualifying items used directly and primarily in a manufacturing process or computers used by a commercial enterprise.
- Resale: Sales of items that will be resold in their present form by the purchaser.
- Processing: Sales of items that will be incorporated into another item for resale by the purchaser.
- Residential Utility: Sales of metered gas, electricity, and fuel used as energy in residential dwellings. (You do not need exemption certificates to support this exemption.) Note: These sales are subject to local option tax.
- Sales Tax Holiday: Sales of qualifying clothing and footwear during the annual sales tax holiday. (You do not need exemption certificates to support this exemption.) The annual tax holiday is the first Friday and Saturday in August.
- Other: Any exempt sales made during the period that do not fall into any of the previous categories. Keep a record of this category, including a brief description of the item in the event you are asked to explain the exemption.

Local Option Sales Tax (LOST)

Local option tax is remitted by retailers whenever they file and pay their sales tax returns. Local option sales tax is reported by county on the quarterly or annual return. The rate may be up to 1 percent. New jurisdictions may enact local option taxes on January 1 and July 1.

Locations, rates and information

Tax Included in the Price

If sales tax is collected as part of or included in the selling price of the item or service, the tax needs to be backed out to arrive at the true gross receipts before the return is completed. This is allowed if the retailer makes known to the purchaser that the tax is included in the price which is charged.

For example: A hairdresser includes the 6 percent sales tax in the price of all goods and services; for purposes of this example, assume local option sales tax does not apply. The taxable gross receipts are $17,250. Divide $17,250 by 1.06. The result - $16,273.58 - is the amount to be written on line 1 of the return.

If only the state sales tax of 6 percent applies, divide the gross receipts by 1.06 as shown in the above example. If a 1 percent local option tax applies, divide by 1.07.

Penalty and Interest

Penalty and/or interest may apply if you fail to file a return on time or if you fail to pay the tax due.

- Are you filing the return late but have 90 percent of the tax paid by the due date? You do not owe any penalty.
- Are you filing the return late and do not have 90 percent of the tax paid by the due date? You owe 10 percent of the tax not paid by the due date.
- Did you file your return on time but did not pay 90 percent of the tax by the due date? You owe 5 percent of the tax not paid by the due date.

If more than one penalty applies, the 10 percent penalty is the only one charged. The penalty for willful failure to file a return is 75 percent of the tax due.

In addition, interest accrues from the due date until paid. The interest accrues every calendar month or a fraction of the month. Interest rates change yearly.

Penalties can be waived only under special circumstances. Interest cannot be waived.

Penalty and interest information

For further details, contact Taxpayer Services at 1-800-367-3388.

Bond Requirements

Under special circumstances, the Department may require a bond of any permit holder. The Department generally does not require a bond of a new applicant, but may in the following situations:

1. The person applying or an active officer of the corporation has held a previous permit and has an unfavorable filing and remittance record for prior tax obligations, or

2. The person applying or an active officer of the corporation has held a previous permit and has experienced prior collection problems, or
3. The Department has knowledge that the applicant’s financial status is such that he or she may be unable to remit the tax by the date due.

Existing permit holders may be required to post a bond under the following conditions:

1. If filing quarterly, a retailer incurs two or more delinquencies in remitting tax during a 24-month period
2. If filing monthly, a retailer incurs four or more delinquencies during a 24-month period
3. If filing semimonthly, a retailer incurs eight or more delinquencies during a 24-month period
4. If the retailer has made recurring tax payments with unhonored checks

When the Department requires a bond, the minimum amount is determined as follows:

- Quarterly Filers: The bond equals the sales tax liability typically filed in three filing quarters.
- Monthly Filers: The bond equals five months of sales tax liability.
- Semimonthly Filers: The bond equals three months of sales tax liability.
- Annual Filer: The bond equals one year of tax liability but no less than $100.

The Department may require a larger amount if necessary. No bond is less than $100. The Department accepts cash, cashier’s checks, certificates of deposit, and surety bonds; personal checks are not accepted. Failure to post a bond when required may result in the revocation of an existing permit or denial of a permit application.

Records

Records must include the normal books of account ordinarily maintained by a person engaged in business activity. This includes all bills, receipts, invoices, cash register tapes or other documentation. These may be maintained in an electronic format. The records are required to be maintained for at least three years. In the event of an audit, the Department may request records for a longer period of time if returns have never been filed.

Audits and Appeals

The Department may audit a return anytime within three years. However, the period for audit is unlimited if a return was filed falsely or fraudulently with the intent to evade tax, or if no return was filed.

Permit holders have the right to contest an assessment, denial of a refund claim or any other Department action, except licensing. Protests must be filed with the Department’s hearing officer within 60 days of the assessment notice date or denial of the refund claim. If a proper protest is not filed, the Department may either require a proper protest or dismiss the protest for failure to comply. If a protest is not filed timely, the Department assumes that the permit holder does not oppose the assessment.

All protests must be filed by certified mail (return receipt requested) or personal delivery to the Department's hearing section during business hours.

Appeal and protest information

Refunds

A refund can be made only to the person who actually paid the tax, which in most cases is the retailer's customer. The IA 843 Claim for Refund may be used to request a refund of tax paid in error. Claims for refund should be filed within three years of the date the tax payment was due.

Exemption Certificates

A seller must obtain a properly completed Iowa Sales Tax Exemption Certificate if a purchaser is claiming exemption from sales/use tax.

Exemption certificate (pdf)

Information (pdf)

Taxable Sales and Services

Accommodations / Room Rental

Taxable accommodations include sleeping rooms, apartments, or sleeping quarters in any hotel, motel, inn, public lodging house, rooming house, mobile home, tourist court, bed and breakfast, or in any place where sleeping accommodations are rented to transient guests. The renting of all rooms is exempt from the tax if rented by the same person for a period of more than 31 consecutive days. The renter must contract to rent for a single period of more than 31 days. The renter may not accumulate more than 31 days by contracting for two or more rental transactions.

The Iowa hotel/motel tax adopted by some jurisdictions is in addition to the state excise tax of 5 percent. A list of hotel/motel jurisdictions (Excel) is updated January 1 and July 1 of each year.

Lodging is not subject to local option sales tax, whether or not the hotel/motel tax is imposed.

Aircraft

Aircraft subject to registration are subject to Iowa use tax rather than Iowa sales tax. The 5 percent tax is collected by the Iowa Department of Transportation at the time of registration.

Aircraft to be registered out of state are not subject to Iowa use tax. The purchase of an aircraft does not qualify for exemption as a “casual sale.”

All-Terrain Vehicles

The sale of all-terrain vehicles (ATVs) is subject to Iowa sales tax and any applicable local option tax if delivery is taken in Iowa. If purchased out-of-state for use in Iowa, use tax must be paid at the rate of 6 percent. This includes off-road vehicles and off-road motorcycles. If sold by an individual, the county will collect the tax upon registration. An all-terrain vehicle does not qualify for exemption as a “casual sale.”

Amusement / Tickets or Admissions

Tickets or admissions to places of amusement, fairs, and athletic events, except those of elementary and secondary schools, are taxable. Sales by state and county fairs are exempt.

Gross receipts from fees charged for participation in any game or other form of amusement are taxable. Entry fees are not subject to tax if the admission charge is subject to tax.

Sales from the operation of all forms of amusement devices and games of skill, games of chance, raffles, and bingo games, and commercial amusement enterprises are taxable. A state gambling license may also be required and can be obtained by calling the Iowa Department of Inspections and Appeals at 515-281-6848.

Gross receipts from musical devices, weighing machines, shooting galleries, billiard and pool tables, bowling alleys, pinball machines, slot-operated devices, vending machines of all types and devices or systems where prizes are awarded are taxable.

Gross receipts from the operation of any card game tournament are subject to Iowa tax.

Athletic Fees / Facilities

Private club fees paid for the privilege of participating in athletic sports, fitness centers, or commercial recreation are taxable. This generally includes any special assessments.

Fees paid to cities and counties for the privilege of participating in any athletic sport are taxable.

Automatic Data Processing

The sale of canned software is subject to tax. The sale of custom software is exempt from tax. See “Computers: Is yours exempt?” (78-575).

Boat Sales

The sale of boats is subject to Iowa sales tax and any applicable local option tax if delivery is taken in Iowa. If purchased out-of-state for use in Iowa, use tax must be paid at the rate of 6 percent. If sold by an individual, the county will collect the tax upon registration. A boat does not qualify for exemption as a “casual sale.”

Communication Service

The gross receipts from the following are taxable:

- The sale of intrastate communication (The sale of interstate communication is exempt from tax.)
- Prepaid telephone calling cards and prepaid authorization numbers
- Intrastate fax services
- Services of transmitting messages, night letters, day letters and all other messages of similar nature
- Sales from coin-operated telephones
- Telegrams and similar charges
- Charges for directory assistance if the service is intrastate in nature

Conditional Sales / Installment Sales

A conditional sales contract allows the purchaser to use the item purchased, but title to the property doesn’t pass to the buyer until a condition has been met – usually full payment of the purchase price. Therefore, an installment sale is a conditional sales contract. Sales tax is due on the full contract price at the time the purchaser takes delivery of the property, except interest and finance charges when separately stated and reasonable in amount. No further tax is due on the periodic payments. Once the final payment has been made on an installment contract, the title to that merchandise passes to the buyer.

Construction Contractors

Contractors, subcontractors, builders, and owners are consumers of building materials, supplies and equipment they use in performing construction contracts. Tax applies to the purchase of these items by the construction contractors. Contractors who are also retailers are subject to other statutory provisions.

Certain machinery and equipment which remains tangible personal property after installation that is sold to contractors can be purchased for resale.

The following are exempt from local option tax when purchased and used by construction contractors: Self-propelled building equipment, pile drivers, motorized scaffolding, or attachments customarily drawn or attached to them, including auxiliary attachments which improve their performance, safety, operation, or efficiency and including replacement parts; these must be used directly and primarily by contractors, subcontractors and builders for new construction, reconstruction, alterations, expansion or remodeling of real property or structures.

For more information, see our online publication for construction contractors (78-527).

Designated exempt entities awarding construction contracts on or after January 1, 2003, may issue special exemption certificates to contractors and subcontractors, allowing them to purchase, or withdraw from inventory, materials for the contract free from sales tax. For more information, see "Designated Exempt Entity Registration of Construction Contracts."

Discounts, Rebates and Coupons

Any cash discount allowed by a retailer and taken on taxable sales is a proper deduction when collecting and reporting tax. If a coupon is issued by the retailer it is handled the same as a cash discount.

Rebates are not discounts and cannot be used to reduce the taxable price.

Manufacturer coupons are not discounts, and tax is due on the full retail price.

Finance Charges

Finance charges included in the selling price as a condition of sale are taxable. Interest or other types of charges that result from selling on credit or under installment contracts are not subject to tax if separately stated and reasonable in amount.

Florists

Orders taken by an Iowa florist and telephoned to a second florist in Iowa are subject to tax. The "sending florist" is responsible for collecting the tax.

Food

In general, food is taxable under the following situations: Prepared food; candy, candy-coated items, and other candy products (unless it contains flour); beverages, excluding tea and coffee except when prepared for immediate consumption, and all mixes and ingredients used to produce such beverages, which do not contain a primary dairy product or dairy ingredient base or which contain more than 50 percent of natural fruit or vegetable juice.

For more information, see "Food/Restaurants and grocery stores" (78-516).

Gambling

The gross receipts of ALL social gambling activities conducted in Iowa are subject to sales tax and local option sales tax (if any).

The exceptions are (1) the proceeds of activities conducted by county or city governments and (2) for receipts from raffles held at agricultural fairs and (3) for receipts from gambling activities conducted on Indian reservations in Iowa.

For more information see "Gambling / Fundraising: Games of skill or chance and raffles" (78-506).

If needed, a state gambling license may be requested by calling the Iowa Department of Inspections and Appeals at 515-281-6848.

Gifts by Retailer

If a retailer purchases tangible personal property exempt from tax for the purpose of resale and later gives it away or donates it, the retailer pays sales tax on the purchase price of the item under "goods consumed" on the sales tax quarterly return.

Gratuities

Gratuities which are mandatory charges and automatically added to the bill are subject to tax.

Internet Sales

Internet sales of taxable goods delivered in Iowa are subject to tax.

Internet sales shipped to another state are not subject to Iowa tax.

Items delivered to the purchaser electronically or digitally are exempt from tax.

Layaway Sales

Layaway sales are subject to sales tax. Tax is reported on those sales during the period in which delivery of the layaway occurs, usually when the final payment has been made.

Lease and Rental

Taxable:

- Equipment and tangible personal property
- Receipts from the rental of certain motor vehicles subject to registration with a gross weight of 13 tons or less when the lease or rental contract is for a period of 60 days or less.
- Recreational vehicles

Optional Warranty Contracts

Gross receipts from the sale of optional service or warranty contracts which furnish labor and materials are taxable. Residential warranty contracts are not taxable. Certain computer software maintenance contracts are partially taxable.

Rent to Own

Sales tax is due on rent-to-own contracts.

Services

Unlike tangible personal property, which is subject to sales/use tax unless specifically exempted by Iowa law, services are subject to sales/use tax only when specified by Iowa law. Iowa sales tax is due when the taxable service is rendered, furnished or performed. Local option tax may also apply.

The Department makes every attempt to keep this list current. However, please consider the following a partial listing and non-inclusive. If you need assistance in determining whether or not a service is taxable, please contact our tax specialists by telephone at 1-800-367-3388 or 515-281-3114.

Taxable Services:

- aircraft rental of 60 days or less
- alteration and garment repair
- armored car
- bank and financial institution service charges
- barber and beauty
- battery, tire and allied services
- boat repair
- cable/pay television fees
- camera repair
- campgrounds
- car and vehicle wash and wax
- carpentry
- carpet and upholstery cleaning and repair
- dance schools and dance studios
- dating services
- demolition/wrecking

- drain cleaning and unplugging toilets, sinks and sewers
- dry cleaning, pressing, dyeing and laundering
- electrical and electronic repair and installation
- employment and executive search fees
- excavating and grading
- exterminators
- farm implement repair of all kinds
- financial institution service charges
- fitness center dues or memberships
- flying service and instruction
- furniture repair and cleaning
- fur storage and repair
- garbage collection and disposal, nonresidential commercial only
- golf and country clubs and all commercial recreation fees, dues and charges
- gun repair
- house and building moving
- household appliance, television, and radio repair
- investment counseling
- janitorial and building maintenance or cleaning (non-residential)
- jewelry and watch repair
- lawn care, landscaping, tree trimming and removal
- limousine, including driver
- machine operator fees
- machine repair of all kinds
- massage, unless performed by a licensed massage therapists
- mini-storage
- motor repair
- motor vehicle, recreational vehicle and recreational boat rental, when rented without driver/operator
- motorcycle, scooter, and bicycle repair
- oilers and lubricators of vehicles or machines
- office and business machine repair
- painting, papering, and interior decorating
- parking fees
- pest extermination
- pet grooming
- pipe fitting
- plumbing, including drain cleaning and unplugging toilets, sinks and sewers
- reflexology
- roof, shingle and glass repair
- security and detective services
- service charges of all financial institutions related to checking accounts
- sewage services, nonresidential commercial only
- sewing and stitching
- shoe repair and shoe shine
- sign construction and installation

- solid waste/garbage collection nonresidential commercial only
- storage warehousing of raw agricultural products
- storage of household goods
- swimming pool cleaning and maintenance
- tanning beds or salons
- taxidermy
- telephone answering service
- termite, bug, roach and pest eradicators
- test laboratories, except tests for humans and animals, includes mobile testing labs and field testing by labs
- tin and sheet metal repair
- tree trimming and removal
- Turkish baths, unlicensed massage, and reducing salons
- vehicle repair
- vehicle wash and wax
- water conditioning and softening
- weighing
- welding
- well drilling, repair only
- wood preparation (stripping, cleaning, sealing, etc.)
- wrapping, packing and packaging of merchandise other than processed meat, fish, fowl and vegetables
- wrecking/demolition service
- wrecker and towing

The prior services are taxable except when:

1. Performed on or connected with new construction, reconstruction, alteration, expansion, or remodeling of real property
2. Utilized in the processing of tangible personal property for use in taxable retail sales or services
3. Performed on tangible personal property for delivery into interstate commerce
4. Performed or furnished for an employer
5. Sold to exempt entities; see "Nonprofit entities: Sales to and sales by" (78-595)
6. Purchased for resale
7. Qualifies as a casual sale

NOTE: The following are considered sales of tangible personal property and are taxable:

- engraving
- equipment and tangible personal property rental
- optional warranty contracts
- photography
- prepaid telephone cards
- printing and binding
- recapping and retreading tires

- retouching photographs
- vulcanizing

Snowmobiles and Motorboats

The sales of snowmobiles and motorboats are subject to Iowa sales tax and any applicable local option tax if delivery is taken in Iowa. If purchased out of state for use in Iowa, use tax must be paid at the rate of 6 percent. If sold by an individual, the county will collect the tax upon registration. Snowmobiles and watercraft do not qualify for exemption as "casual sales."

Trade-Ins

Trade-ins may reduce the taxable price of a transaction when:

- the tangible personal property is traded toward the purchase price of other tangible personal property and
- the trade-in is the type of item that is sold in the retailer's regular course of business and
- the item traded-in is to be ultimately sold at retail.

Utilities

Generally, the sales, furnishing, or service of gas, electricity, water, heat, pay television and communication services, including the sale of these items by municipal corporations, are taxable.

Residential energy exemption

The sale of residential energy is exempt from state sales tax; however, local option tax applies.

Sewage / solid waste

Sewage services and solid waste collection and disposal services billed to nonresidential commercial operations are taxable.

A nonresidential commercial operation is any industrial, commercial, agricultural or mining operation. These services are taxable to hotels and motels, restaurants, construction contractors, financial institutions, civic/charitable groups, churches, professional firms, skilled trades, insurance and realty businesses, day care centers, counseling/referral services, personal services such as beauticians, printing, storage, pest control, custodial services, landscapers, etc. Apartment complexes, mobile home parks, or single or multifamily dwellings are exempt.

The disposal charge or tipping fee imposed by a solid waste collection or disposal facility is, under certain circumstances, subject to sales tax. See “Solid waste collection and disposal” (78-543).

Tax is collected from both profit-making and nonprofit receivers of the service. The exception is nonprofit entities exempt by law from paying sales tax such as federal, state, county, city governments and non-profit schools. Both private and public service providers must collect the tax.

Vending Machines and Other Coin-Operated Devices

Candy, candy-coated items, candy products, and certain beverages are taxable when sold through vending machines.

An operator who places vending or other coin-operated machines in different locations needs only one permit. This could be a sales tax permit for in-state retailers or a retailer’s use tax permit for out-of-state retailers. The Iowa state sales tax and local option tax, if applicable at the location of the machine, are included in the selling price of taxable items sold through vending machines.

Exempt Sales and Services

911 Surcharge

The surcharge for “enhanced” 911 emergency telephone service is exempt. The surcharge can be no more than $1 per month per telephone access line.

Advertising

Envelopes used primarily for advertising are exempt. Advertising and promotional materials, such as seed catalogs, brochures, leaflets and return envelopes, and other similar materials which are stored in Iowa before being sent for use out of state are also exempt.

Aircraft Interstate Operations

The following exemptions apply only to aircraft used in Interstate Federal Aviation Administration certified air carrier operations.

- Sale or rental (scheduled operation only)
- Sale or rental of any tangible personal property permanently affixed to any aircraft that is a component part of aircraft (scheduled or nonscheduled operations)
- Rendering, furnishing, or performing of services in connection with repair, remodeling or maintenance of aircraft (scheduled or nonscheduled operations)

Agriculture

The following are exempt:

- agricultural breeding livestock and domesticated fowl
- bedding used for agricultural livestock or fowl
- food for livestock and domesticated fowl
- medicine used to prevent or treat diseases of livestock or domestic fowl
- veterinary services for agricultural livestock or fowl
- commercial fertilizer used for agricultural production
- agricultural limestone
- herbicides, pesticides, insecticides, and adjuvants and surfactants used to enhance them
- agricultural drain tile and installation
- draft horses used primarily as a source of power for pulling or moving loads, such as the breeds of Clydesdale, Shire, Belgian or Percheron
- sale or rental of farm machinery, equipment, auxiliary attachments which improve the performance, safety, operation or efficiency of the farm machinery or equipment, and replacement parts, if the parts are used in the operation of the machinery or equipment
- self-propelled machinery and equipment if directly and primarily used in agricultural production
- non self-propelled machinery and equipment if used directly and primarily in livestock and dairy production
- seed and fruit trees used to grow food if the produce is sold

Hand tools are not exempt unless they are specifically for agricultural production.

Grain bins and building materials are not exempt for farm buildings.

More information can be found in "Farmers guide to Iowa taxes" (78-507).

American Indians

Sales of tangible personal property or taxable services made to American Indians where delivery occurs on the American Indian settlement or reservation are exempt from sales tax.

Taxable:

- Purchases by persons who are not American Indians where delivery takes place on the settlement or reservation and
- Purchases by American Indians where delivery occurs off the settlement or reservation

Casual Sales

The casual sale exemption applies if:

1. It is a sale of a nonrecurring nature, and
2. The seller at the time of the sale must not be engaged in selling goods or taxable services for profit; if the seller is so engaged, the casual sale must be outside the regular course of business

Two separate selling events outside the regular course of business within a 12-month period are considered nonrecurring. Three separate selling events within a 12-month period are considered recurring. Tax applies beginning with the third separate selling event.

However, when a sale event is planned and occurs consistently over a span of years, the sale is recurring and not casual, even though only one sale event occurs each year.

Sales of capital assets such as equipment, machinery, and furnishings are usually considered to be outside the regular course of business, and the casual sale exemption applies as long as the sales are nonrecurring.

When a retailer sells all or substantially all of the tangible personal property held or used in the course of business in which the retailer is required to hold a sales tax permit, the casual sale exemption applies when the following circumstances exist:

1. The trade or business must be transferred to another person and
2. The transferee must engage in a similar trade or business.

This exemption does not apply to vehicles subject to registration, to aircraft, or to watercraft.

Containers

Containers, labels, cartons, pallets, packing cases, wrapping paper, twine, bags, bottles, shipping cases, and other similar articles sold to retailers or manufacturers for the purpose of packaging or facilitating the transportation of tangible personal property sold at retail or which will further transfer the property to the customer in association with the maintenance or repair of fabric or clothing are exempt.

The above items are also exempt if sold to be used directly and primarily in agricultural, livestock or dairy production.

Coupon Books and Gift Certificates

The sales of coupon books and gift certificates are not subject to tax. Tax is due at the time the coupon/certificate is redeemed by the customer.

Educational, Religious or Charitable Activities

Proceeds from fundraising activities that are used for educational, religious or charitable purposes are exempt from sales tax if proceeds are raised by or donated to an organization that is exempt from federal income tax pursuant to IRC § 501(c)(3).

Sales to any private nonprofit educational institution of goods or services used for educational purposes are exempt.

Tangible personal property or services which are purchased and used by churches and other religious and nonprofit organizations are taxable.

See "Nonprofit entities: Sales to and sales by" (78-595).

Finance Charges

Interest or other types of charges that result from selling on credit or under installment contracts are not subject to tax if separately stated. Charges added as a condition of sale are taxable.

Food

Please see "Food/Restaurants and grocery stores" (78-516).

Freight Charges

Freight, shipping, and handling charges are exempt if separately invoiced or separately stated on the bill.

Fuel

The gross receipts from the sale of motor fuel and special fuel are exempt from sales tax if

1. the fuel is consumed for highway use, in watercraft, or in aircraft,
2. the Iowa fuel tax has been imposed and paid, and
3. no refund or credit of fuel tax has been made or will be allowed.

Government Entities

The sales of services and goods TO the following are exempt:

- any tax-certifying or tax-levying body of the State of Iowa, governmental subdivision, including:
  - the State Board of Regents
  - State Department of Human Services
  - State Department of Public Health
  - 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
  - regional transit systems, and
  - all divisions, boards, commissions, agencies, or instrumentalities of state, federal, county or municipal government which have no earnings going to the benefit of an equity investor or stockholder
- Federal government

NOTE: Sales of goods and services rendered, furnished, or performed and used in connection with the operation of any municipally-owned public utility engaged in selling gas, electricity, or heat to the general public are subject to the tax.

The sales of services and goods BY the following are exempt:

The gross receipts from sales or services rendered, furnished, or performed by a county or city – except for utilities and fees charged for participating in athletic sports – are exempt.

See "Cities and counties: Sales to and sales by" (78-526).

Construction Contracts

Construction contractors are by law required to pay sales/use tax on all materials for new, remodeled, altered, or reconstructed buildings. In the past government entities had to file a claim for refund to be refunded the sales tax the contractor was required to pay. Now government tax-exempt entities are able to apply for and get approval to give a construction contractor a special exemption certificate for that specific contractor for a specific contract by applying online in the Local Government category. See "Designated Exempt Entity Registration of Construction Contracts."

Greenhouses

Implements, machinery, equipment and essential replacement or repair parts used to produce flowering, ornamental or vegetable plants in commercial greenhouses or other places for sale are exempt from sales tax. Repair labor is subject to sales/use tax.

Also exempt is fuel used to create heat, power, or steam for greenhouses or buildings or parts of buildings used to produce plants.

Habitat for Humanity

Habitat for Humanity qualifies as a designated exempt entity. See "Designated Exempt Entity Registration of Construction Contracts."

Hospice

The sale or rental of tangible personal property or services to a freestanding nonprofit hospice facility that operates a hospice program is exempt from sales tax.

Hospitals

Sale or rental of tangible personal property or services used in the operation of a nonprofit hospital is exempt from tax if it is licensed under chapter 135B of the Iowa Code.

Industrial Machinery, Equipment, Computers, Replacement Parts

Sales of computers and industrial machinery and equipment and replacement parts that are used directly and primarily in processing by a manufacturer are exempt from tax.

"Processing" includes nearly all aspects of manufacturing, beginning with the manufacturer's receipt or production of raw material and ending with the manufacturer's delivery for shipment or transfer of the finished product. Processing includes the intermediate steps of manufacturing which involve the movement of the product or the holding of the product in an existing state. See "Manufacturers and processors" (78-530).

Does your computer qualify for exemption? See "Computers: Is yours exempt?" (78-575).

Insulin

Insulin, hypodermic syringes, and diabetic testing materials for human use and consumption are exempt. Medical sales tax information is online in "Clinics: Medical devices and equipment" (78-609).

Internet Access

Internet access fees are exempt from sales tax.

Interstate Commerce

Sales of services performed on property delivered into interstate commerce and sales of tangible personal property delivered into interstate commerce are exempt from Iowa sales tax under certain circumstances.

Delivery into interstate commerce is made when the seller uses his or her own vehicles to deliver the goods out of Iowa or directly assigns goods to a common carrier for shipment out of Iowa. Delivery to a buyer in Iowa is taxable.

Lease and Rental of Tangible Personal Property

Tangible personal property purchased for leasing is exempt from tax.

The sale of film, tapes, discs, records and other media which can be seen, heard or read is exempt from tax if the sale is to a person regularly engaged in the leasing or renting of these items. The lease or rental of these items to the ultimate user is subject to the sales tax, unless the ultimate user will be broadcasting it to the public.

Manufacturing

Exempt: Machinery and equipment, including mold-making machinery; replacement parts; energy used in manufacturing/processing; design and installation services. More information is available in "Manufacturers and processors" (78-530).

Medical

The gross receipts from the sale or rental of certain medical devices intended for human use are exempt from sales tax when sold or rented to the ultimate user.

Sales and rentals of oxygen equipment and oxygen for human consumption or use are exempt; prescriptions are not required.

Insulin, hypodermic syringes, and diabetic testing materials for human use and consumption are exempt.

Prescription drugs which are dispensed for human use or consumption by a registered pharmacist or licensed physician, surgeon, dentist, or podiatrist are exempt.

More information can be found in "Clinics: Medical devices and equipment" (78-609).

Motor Vehicles – Rental

The purchase of motor vehicles subject to registration for rental which are designed primarily for carrying nine or fewer passengers are exempt from the one-time registration fee when:

- held for lease or rental for periods of 120 days and
- rented for a 60-day or less period and
- are subject to automobile rental tax.

The 5 percent excise/rental tax is levied in addition to the state sales tax rate of 6 percent. The 5 percent excise tax is paid with the quarterly sales tax return. See "Automobile Rental Tax."

Newspapers

Newspapers, free newspapers, and shoppers' guides are exempt.

Nonprofit Organizations

Taxation of nonprofit organizations can be difficult to understand. Nonprofit entities such as churches and religious and social organizations are not automatically exempt from paying sales tax simply because they are described as nonprofit. Sales tax must be paid unless some other general sales tax exemption applies. Additional information is online in "Nonprofit entities: Sales to and sales by" (78-595), which includes a list of nonprofit entities that do qualify for exemption.

Prescription Drugs

Prescription drugs which are dispensed by a registered pharmacist or licensed physician, surgeon, dentist, or podiatrist for human use or consumption are exempt. For more information, please see "Clinics: Medical devices and equipment" (78-609).

Printers and Publishers

Sales and rentals to printers and publishers of numerous supplies used to complete a finished printed product for retail sale are exempt. The items do not have to be purchased from a "trade shop." See "Printers and publishers: A list of supplies exempt from tax" (78-570).

Prizes

The sale of tangible personal property which will be given as a prize to a player in games of skill, chance, bingo, or in a raffle is exempt if purchased by the sponsor.

Processing

Electricity or steam or any taxable service purchased and used in the actual processing of tangible personal property intended to be ultimately sold at retail is exempt from tax.

Exempt:
Tangible personal property, including containers, sold for processing when it:

a. by means of fabrication, compounding, manufacturing, or germination becomes an integral part of other tangible personal property intended to be ultimately sold at retail.
b. is a chemical, solvent, sorbent, or reagent, which is directly used and consumed, dissipated, or depleted in processing tangible personal property which is intended to be sold ultimately at retail even if it does not become a component or integral part of the finished product. Similar items are also exempt when consumed in the maintenance or repair of fabric or clothing.
c. is consumed as fuel in creating heat, power, or steam for processing, including grain drying, in maintenance of the quality of the product being manufactured, for providing heat or cooling for livestock buildings or for generating electric current,

or consumed in self-propelled implements of husbandry engaged in agricultural production, such as fuel used in a farm tractor used to plant corn.

To find more information, see “Manufacturers and processors” (78-530).

Railroads

Sales of personal property used or to be used as railroad rolling stock or as materials or parts thereof are exempt. Also, fuel and lubricants used in railroad rolling stock are exempt from tax. Taxable services do not qualify under the railroad rolling stock exemption.

Repair

Sales of services used in reconditioning or repairing tangible personal property normally sold in the regular course of the retailer’s business and upon which sales or use tax will be paid when the tangible personal property is sold are exempt.

Resale

Tangible personal property and services purchased for resale are exempt. The purchaser should provide to the seller a properly completed Sales Tax Exemption Certificate.

Resale of tangible personal property

Tangible personal property is sold for resale when it is sold to retailers, wholesalers, jobbers or any person who are not the ultimate user or consumer of the property and who holds property for the purpose of selling it to another.

Resale of a service

An example of a service sold for resale is when an auto repair shop subcontracts a job to another auto repair shop.

Resale of property connected with a service

Property that is resold in connection with a service is exempt when all of the following occur:

1. the provider and the user of the service intend that a sale of property will occur, and
2. the property is transferred to the user in a form or quantity which is capable of any fixed or definite price value and is actually sold to the customer in conjunction with the performance of the service, and
3. the charge for the property is listed separately on the bill.

Examples:

A. A television repair person buys television tubes tax free. When using a tube to repair a television set, the repair person charges the customer for the tube and sales tax on it. The repair person lists the tube as a line item on the bill.
B. A barber or beauty shop uses shampoo while performing hair care services. The shop must pay sales tax on the shampoo used in the performance of the service.
C. An automobile shop purchases solvents which are used in cleaning automobile parts. Tax is due at the time the repair shop purchases the solvent since the solvents are used in the performance of the service but are not sold in a form capable of a fixed or definite price value. The customer is not purchasing the solvent; the customer is purchasing a service, and part of that service is the cleaning of the parts. NOTE: The sale to a retailer of automotive fluids is exempt from tax if the fluids are installed in or applied to a vehicle which the retailer intends to sell. The exemption also applies if the automotive fluid is installed in or applied to a motor vehicle in the course of providing a taxable service. These include but are not limited to motor oil and other lubricants, hydraulic fluids, brake fluid, transmission fluid, sealants, undercoatings, antifreeze and gasoline additives.
D. An accounting firm purchases plastic binders which are used to cover the reports issued to its customers. The firm must pay sales tax on the binders when purchasing them since they are not being sold to their customers.

Transportation

Receipts from the sale or furnishing of transportation services are exempt, except those from armored car services, limousine services, and certain car and airplane rentals.

Vehicles Subject to Registration

The sale or lease price of vehicles subject to registration is exempt from sales tax. Prior to July 1, 2008, these vehicles were subject to a motor vehicle use/lease tax. Effective July 1, 2008, these vehicles are subject to a one-time registration fee equal to 5 percent of the sale or lease price.

More information

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