

 Iowa Department of Revenue

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Farmers Guide to Iowa Taxes

Sales/Use Tax Issues for Farming Operations

A normal farming operation is undertaken for profit and includes the following:

- Cultivation of land previously cleared for planting crops
- The purchase or breeding of livestock or domesticated fowl
- Raising ornamental or vegetable plants for sale
- Aquaculture
- Nurseries
- Ranches
- Orchards
- Dairies
- Feedlot operations, regardless of whether crops are grown on that property or if the livestock fed are owned by feedlot operators
- Operations growing and raising seed for sale to farmers, for example, hybrid seed corn

Examples of activities that are not considered to be “agricultural production” include:

- Logging
- Production of Christmas trees
- Beekeeping
- Raising of mink, other nondomesticated furbearing animals, and nondomesticated fowl (other than ostriches, rheas, and emus)
- Land placed in the federal government's Conservation Reserve Program (CRP)

Sales by Farming Operations

Nearly all sales by farmers of grain, livestock, or any other farm or garden produce are exempt from Iowa sales tax. Sales are exempt if they are for resale, processing, or human consumption. However, if a farmer sells products like pet food or grain for race horses to the ultimate user, the sales are taxable.

Purchases by Farming Operations

Purchases by farmers **may be** exempt from Iowa sales and/or use tax. Anyone claiming exemption on a purchase must be able to show they are entitled to it.

Use Tax

Taxable purchases from suppliers who do not collect Iowa sales tax are subject to Iowa use tax if the purchase is for use in Iowa. If you make these kinds of purchases regularly, you must register for a consumer's use tax permit. You do not need to have a consumer's use tax permit if you only occasionally make this kind of purchase, but you must still pay the use tax to Iowa. Our [consumer's use tax brochure](#) has more information.

Sales Tax

Certain purchases are exempt from Iowa sales tax if they are used directly and primarily in agricultural, dairy, or livestock (including aquaculture) production for market.

Auctions

The proceeds of a farm auction, if not exempt as sales of farm machinery or equipment, are usually exempt as casual sales. The casual sales exemption applies when it is a sale of a nonrecurring nature, and the seller is not engaged in selling goods or taxable services for profit; or if the seller is so engaged, the sale is 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.

Bedding

Bedding used for agricultural livestock or fowl is exempt.

Chemicals, Fertilizers, and Food for Animals

The purchase of fertilizer, limestone, and chemicals (including adjuvants and surfactants) used to kill pests, insects, or weeds, or promote the growth of plants are not taxable if the purchase is for direct use in agricultural production.

Food for livestock and domestic fowl is exempt from tax. Food for pets and racing animals is taxable.

Computers

A farmer's purchase of a computer is taxable.

Draft Horses

Draft horses or those breeds of horses which are commonly thought of as draft animals (Belgian, Clydesdale, Percheron, and Shire) are exempt from tax. Other horses used for pulling loads may also meet this exemption.

Drainage Tile

The sale or installation of drainage tile used as part of agricultural production is exempt from tax. In all other cases, drainage tile will be considered a building material and subject to tax. Machinery used in laying drainage tile would generally be taxable.

Global Positioning Systems

Global positioning systems (GPS) equipment attached to farm implements are exempt from sales tax. However, maps made from the GPS information and sold to farmers are taxable.

Greenhouses

The definition of agricultural production includes the production of flowering, ornamental, or vegetable plants in commercial greenhouses and other similar businesses.

The following are exempt from tax:

- fuel used for heating or cooling of production areas
- electricity used in production
- machinery and equipment used directly and primarily in agricultural production
- auxiliary attachments
- replacement or repair parts

- water used for agricultural production

Repair labor is taxable.

Hand Tools

Hand tools which can serve a variety of purposes, such as construction tools of all kinds, are taxable.

Hand tools specifically designed for use in agricultural, dairy, and livestock production are exempt from tax. These include dehorner, hay hooks, and others; see a list of items that are exempt later in this publication.

Livestock and Domesticated Fowl

Purchases of agricultural breeding livestock and domesticated fowl are exempt from tax. The purchase may be made by either a farmer or some other person.

Livestock

“Livestock” is defined as domesticated animals to be raised on a farm for food or clothing. The following are examples of livestock that are exempt from tax:

- sheep
- cattle
- swine/hogs
- goats
- ostriches
- rheas
- emus
- farm deer*
- bison
- fish and other animals which are products of aquaculture

* “Farm deer” includes fallow deer, red deer, elk, sika, whitetail, and mule deer but not free-ranging whitetail or mule deer. Farm deer does not include unmarked free-ranging elk.

Domesticated fowl

“Domesticated fowl” is defined as fowl raised as a source of food, either meat or eggs. Examples of domesticated fowl are:

- chickens
- turkeys
- ducks

- geese
- pigeons

Taxable animals

The following are examples of animals which are not livestock, even if raised on a farm as a source of food or clothing. They are taxable.

- mink
- bees

Machinery and Equipment

Generally, sales and use taxes are not due on the purchase or rental of self-propelled implements or implements customarily drawn or attached to a self-propelled implement when they are used directly and primarily in agricultural or livestock production.

Auxiliary attachments which improve the performance, safety, operation, or efficiency of the farm machinery or equipment are also exempt.

Certain farm machinery and equipment which is not self-propelled or attached to self-propelled equipment are also exempt from tax. See lists later in this publication for taxable or exempt status of the purchase or rental of specific farm machinery and equipment.

Packing Materials

Packing materials used in agricultural, livestock, and dairy production are exempt from tax. These include containers, labels, cartons, pallets, packing cases, wrapping, baling wire, twine, bags, bottles, shipping cases, and other similar items.

Pets and Racing Animals

Most horses, mules, dogs, cats, other pets, racing animals, and other creatures not generally associated with agricultural production are subject to sales tax, unless purchased to be immediately offered for resale.

Real Property

The purchase of machinery and equipment which will become real property after installation (that is, a substantially permanent part of the farm property) is usually taxable. In general, machinery or equipment is real property if its removal after installation is difficult or if removal substantially lessens the value of the machinery or the location where it was placed.

There are exceptions to this general rule for certain items. For example, drainage tile is exempt from tax. Also exempt for livestock or dairy production, aquaculture production, or the production of flowering, ornamental, or vegetable plants, are auger systems, curtains and curtain systems, drip systems, fans and fan systems, shutters, inlets, and shutter or inlet systems, and refrigerators.

Replacement Parts

Replacement parts used in the operation of eligible farm machinery or equipment are exempt from sales tax.

Oil filters, spark plugs, gas filters, and tires are examples of exempt replacement parts.

Do not confuse replacement parts with supplies, most of which are taxable.

Oil and grease used in the routine maintenance of a tractor, for example, are not considered parts; they are considered supplies. They are taxable.

Utilities

The purchase of electricity, natural gas, liquefied petroleum gas (LPG), or other forms of energy/fuel used for agricultural production may be exempt from Iowa sales tax.

Energy/fuel used in heating or cooling (not general lighting) of livestock buildings on the farm is exempt from sales and use tax. Likewise, fuel used in an implement of husbandry, such as a tractor or combine, is exempt from sales/use tax. Energy/fuel used to dry grain is also exempt from tax.

Energy used for other purposes, such as recreation, hobbies, lighting, or for farm shops is taxable. State sales tax does not apply to residential energy use; however, local option tax, if any, does apply.

To claim exemption, complete [Iowa form 31-113](#) (pdf), which is an exemption certificate specifically for energy used in agricultural production, and give it to your supplier. The energy supplier will require an updated form 31-113 at least every three years. In order to receive the utilities exemption, adequate documentation of the energy used for agricultural production must be provided to the utility company.

When filling out the exemption certificate for your utility company, you will need to show what percent of your total energy consumption is for production uses. Separate meters for production and non-production usage is the best means of deriving the exempt and nonexempt energy percentages. However, using another meter for all non-production uses isn't practical for some farmers. If you do not have your production and non-production uses metered separately, you need to determine the percentage of your total energy consumption used in agricultural production. Each applicant for utility sales tax

exemption should calculate both the exempt and nonexempt percentages of utility use. Form 31-113 can assist you in determining these percentages.

Your previous year's monthly utility bills can be used as a guide to help you determine your total annual use. Ordinarily, the 12-month period immediately preceding the date on which you apply for exemption is used as the base period in determining the percentage of exemption. However, your individual circumstances can dictate that you use a shorter or longer base period than 12 months or that you use a 12-month period other than the immediately preceding one. If for some reason your usage last year was not typical, select any 12-month period which is more representative and for which you have adequate documentation. Your utility company may be able to assist in determining what method of calculation is best for your individual circumstances..

Vehicles

Vehicles subject to registration

Vehicles subject to registration, such as pickups and stock trucks, are subject to a 5 percent one-time registration fee whether or not they are used in agricultural production. Any implement or other vehicle customarily drawn by or attached to a registered vehicle is subject to sales/use tax or the one-time vehicle registration fee. This includes camping trailers and livestock trailers.

Farm tractors, combines, and others

Farm tractors, combines, and other such vehicles are normally exempt from sales/use tax because they typically meet all three of the following requirements:

- they are used directly and primarily in agricultural production,
- they are self-propelled, and
- they are not subject to registration.

Implements customarily drawn by self-propelled implements

Implements customarily drawn by self-propelled implements are exempt from sales/use tax if directly and primarily used in agricultural production and not subject to registration.

All terrain vehicles (ATVs)

All terrain vehicles (ATVs) not subject to registration may qualify for exemption if they are directly and primarily used in agricultural production. An ATV used primarily for recreation is taxable. **Care should be taken when claiming exemption from sales/use tax on the purchase of an ATV and the parties involved are encouraged to contact the Department for guidance on these transactions.** ATVs do not qualify for exemption as a "casual sale."

Veterinary Services and Sales of Medicine

Veterinary services are not taxable. Sales of medicine used to prevent or treat diseases of livestock or domestic fowl by a veterinarian or any other person are not taxable. To learn more about veterinary services and Iowa sales tax, see our [veterinarian brochure](#).

Water

Water used directly as drinking water for livestock or poultry production for market is exempt from sales tax. When water is used in livestock production and for other purposes, but is not separately metered, the first 4,000 gallons of water per month is considered taxable use and the balance is considered to be exempt as a part of agricultural production.

Water used by greenhouses for agricultural production is also exempt from sales tax.

Wind Energy Conversion Property

The sale of materials used to manufacture, install, or construct property used to convert wind energy to electrical energy is exempt from sales tax.

Exemption Certificates

Sales of machinery, equipment, or other items used in agricultural production on which an exemption from sales tax is being claimed must be evidenced by a completed [exemption certificate](#) (pdf) from the purchaser verifying eligibility or qualification for the exemption.

A buyer is not automatically exempt from paying tax on any purchase simply because they may have a sales tax permit.

Exemption certificates provided by the Department or by the seller may be used, as long as the certificate contains the following information: the seller's name, the buyer's name and address, the buyer's nature of business (wholesaler, retailer, manufacturer, farmer, other), the buyer's type of business (food manufacturer, television sales, etc.), the reason for purchasing tax exempt (resale, processing, sale to the government, leasing, etc.), a general description of the purchased product(s), and the buyer's state sales tax number or ID registration number, if appropriate, and the signature of the buyer. The signed and dated exemption certificate must be retained by the seller for three years as evidence that an exempt transaction took place.

Instead of an actual exemption certificate, a document of sale showing that the transaction was for an exempt use is acceptable; however, the document must include all the information listed in the preceding paragraph.

If the buyer repeatedly makes tax exempt purchases of similar items or services from the same seller, the seller may accept a blanket exemption certificate. The seller can keep this single certificate on file to cover repeat purchases. The seller must verify at least every three years that the information on the blanket exemption certificate is accurate and complete.

An exemption certificate must be thoroughly completed by the purchaser to be regarded as valid. The seller should question the purchaser's claim of exemption when evidence or circumstances indicate that the items or services purchased will not be used in an exempt manner. If the seller remains unconvinced that the sale is exempt, then the sale should be taxed. The seller is not required to make a tax-exempt sale.

For more information, see our [exemption certificate Information](#) (pdf).

Services

Certain services are taxable. These services performed on a farm are generally taxable to the same degree that they are taxable to any other type of business.

Agricultural related examples include the following:

- The service of exterminating bugs, roaches, and all other pests in the farm home is taxable.
- The service of exterminating bugs, rodents, and all other pests in grain bins, full or empty, is taxable.
- The service of spraying pests to prevent or control infestation of cropland is exempt.
- The service of repairing a tractor or other farm equipment is taxable. Routine maintenance services, such as oil changes, are also taxable. Parts used during repair may not be taxable. See previous section on "Replacement Parts".
- The service of pressure washing a livestock building is taxable.

Additional details can be found in our publication titled, [Services: Which ones are taxable?](#)

Refunds

The Department may approve refunds of sales and use taxes that are paid in error. The statute of limitations is three years from when the tax payment became due or one year from when payment was made, whichever time is the later. An [IA 843 Claim for Refund form](#) (pdf) may be filed to request a sales/use tax refund from the Department..

Exempt for Agricultural Production

adjuvants
alternators and generators¹
augers¹
balers
bale transportation equipment
baling wire and binding twine
batteries for exempt machinery
blowers, grain dryer
brush hogs¹
combines, cornheads, platforms
conveyors, temporary or portable¹
corn pickers
crawlers, tractor
cultipackers
cultivators
discs
draft horses
drags
drainage pipe and tile
dusters¹
ensilage cutters
ensilage forks and trucks, a pickup does
not qualify
farm wagons and accessories
fertilizer, agricultural
fertilizer spreaders
filters
forage harvesters, boxes
fuel for grain drying or other agricultural
production
gaskets
grain augers, portable¹
grain drills
grain dryer, heater and blower only
grain planters
harrows
hay conditioners
hay hooks
hay loaders
herbicides
implement customarily drawn or attached
to a self-propelled implement
insecticides
irrigation equipment
kill cones

limestone, agricultural
manure spreaders
mowers, hay
oil filters
oil pumps
packing materials
pesticides
pickers
plants (seeds)
planters
plows
piston rings
pruning and picking equipment¹
replacement parts
rock pickers
rollers¹
rotary blade mowers; not lawn mowers
rotary hoes
seeders
seed cleaners¹
seed planters
seeds
self-propelled implements
shellers¹
silo blowers, unloaders¹
sowers
spark plugs for exempt machinery
sprayers¹
spreaders
sprinklers
subsoilers
surfactants
tillers
tires for exempt machinery
tractors, farm
tractor chains
tractor weights
vegetable harvesters
weeders¹

¹exempt if drawn or attached to a self-propelled farm implement or, if portable, used directly and primarily in agricultural production

Exempt for Dairy and Livestock Production

adjuvants	hypodermic syringes and needles, non-
alternators and generators ¹	disposable
artificial insemination equipment	implements customarily drawn or attached
auger systems	to a self-propelled implement
automatic feeding systems, portable	incubators, portable
batteries for exempt machinery	inlets and inlet systems
barn ventilators	inoculation materials
bedding materials ²	insecticides
breeding stock, agricultural	kill cones
bulk feeding tanks, portable	livestock feeding, watering and handling
bulk milk coolers and tanks, portable	equipment, portable
calf weaners and feeders, portable	loading chutes, portable
cattle feeders, portable	manure brooms, portable ³
chain and rope hoists, portable ¹	manure handling equipment, includes
chick guards	front-end and rear-end loaders, portable ³
chicken pickers, plucking equipment	manure scoops, portable ¹
clipping machines, portable ³	medications
conveyors, temporary or portable ¹	milk coolers, portable
cow stalls, portable	milking equipment, includes cans, etc. ³
cow ties, portable	milking machines
cow watering and feeding bowls, portable	milk strainers and strainer disks, if not
crawlers, tractor	disposable
currying and oiling machines, portable	milk tanks, portable
curtains and curtain systems	pesticides
dehorner	poultry feeders, portable
domestic fowl	poultry founts, portable
draft horses	poultry litters, portable
drip systems	poultry nests, portable
electric fence equipment, portable	refrigerators
fans and fan systems	replacement parts
farm wagons and accessories	sawdust ²
farrowing houses, crates, stalls, portable	self-propelled implements
feed	shutters and shutter systems
feed bins, portable	space heaters, portable
feed carts, portable	specialized flooring, portable
feed elevators, portable	sprayers ¹
feed grinders, portable	squeeze chutes, stalls, portable
feed scoops ³	stanchions, portable
feed tanks, portable	surfactants
feeders, portable	tires for exempt machinery
feeder chutes, portable	thermometers ³

fence and fencing supplies, temporary or portable
foggers
fuel to heat or cool livestock buildings
gaskets
gates, portable
gestation stalls, portable
grooming equipment, portable³
head gates, portable
heaters, portable
hog feeders, portable
hog ringers³
hoof trimmers, portable³

tractors, farm
tractor chains
tractor weights
vacuum coolers
ventilators
water filters, heaters, pumps, softeners, portable
waterers/watering tanks, portable
weaners
wood chips²

1 exempt if drawn or attached to a self-propelled farm implement or, if portable, used directly in dairy or livestock production

2 exempt when used as livestock and poultry bedding

3 designed for farm use

Exempt for Flowering, Ornamental, or Vegetable Plant Production

air-conditioning pads
airflow control tubes
atmospheric CO2 control and monitoring equipment
backup generators
bins holding sterilized soil
control panels for heating and cooling systems*
coolers used to chill plants*
cooling walls* or membranes
equipment used to control water levels for subirrigation
fans used for cooling and ventilating*
floor mesh for controlling weeds
germination chambers
greenhouse boilers*
greenhouse netting or mesh when used for light and heat control

greenhouse thermometers
handcarts used to move plants
lighting which provides artificial sunlight
overhead heating, lighting, and watering systems*
overhead tracks for holding potted plants*
plant tables*
plant watering systems*
portable buildings used to grow plants*
seeding and transplanting machines
soil pot and soil flat filling machines
steam generators for soil sterilization*
warning devices which monitor excess heat or cold
watering booms

*Exempt if not real property. "Real property" is defined in Iowa Code

greenhouse monorail systems*

subsection 4.1(13) as “lands, tenements, hereditaments, and all rights there to and interests therein, equitable as well as legal.”

Taxable

Following is a partial list of items that are taxable even if used in agricultural production.

additives	marking chalk
air compressors	mops
air conditioners, unless a replacement part for exempt machinery	motor oils
air tanks	nails
antifreeze	office supplies
axes	oxygen
barn cleaner, permanent	packing room supplies
baskets	paint and paint sprayers
belt dressing	pliers
bins, permanent	post hole diggers, hand tool
brooms	poultry brooders, permanent
buckets	poultry feeders, permanent
building materials* and supplies	poultry nests, permanent
burlap cleaners	pruning tools
cattle feeders, permanent	pumps for household or lawn use
cement	radios, unless a replacement part for exempt machinery
chain saws	refrigerators for home use
cleaning brushes	repair tools
cleansing agents and materials	road maintenance equipment
computers, including laptops, for personal use	road scraper
construction tools	roofing
concrete	sanders
conveyors, permanent	scrapers
cow ties, permanent	screwdrivers
ear tags	shingles
fence, posts, wire, permanent	shovels
field toilets	silos
fire prevention equipment	snow fence unless portable and used directly in dairy and livestock production
freon	snow plows and snow equipment
fuel additives	space heaters, permanent
fuel tanks and pumps	specialized flooring, permanent
garden hoses and rakes	sprinklers, permanent

glass
grain bins and tanks, permanent*
grease
grease guns
hammers
hog rings
hydraulic fluids
hypodermic syringes, disposable
lamps
lanterns
light bulbs
lubricants and fluids
lumber*

stalls, permanent
staples
stanchions, permanent
storage tanks
tarps
tractors, garden
welders
wheel barrows
wrenches

*The buyer of building materials is responsible for paying sales tax or use tax on those materials. This includes materials to construct grain bins. The buyer is the person who pays the vendor.

Income Tax Withholding on Agricultural Labor

Iowa income tax withholding is applied to the same wages and compensation as federal income tax withholding.

Registering as a Withholding Agent

Those required to withhold must register with the State of Iowa and the Internal Revenue Service as a withholding agent. There is no fee for registering.

First register with the Internal Revenue Service to obtain a Federal Employer Identification Number (FEIN). You may also call 1-800-829-4933 to register for a FEIN.

Then register online with Iowa or use the Iowa Business Tax Registration form (pdf).

Filing and Paying Withholding Tax

Iowa withholding returns are submitted electronically through the eFile & Pay system. Once you are registered as a withholding agent, the Department will send you a Business eFile Number (BEN). This number is necessary to access the paperless system.

Paper deposits and return forms are not provided; however, paper payment vouchers mailed to permit holders who qualify to pay with check or money order should be used when paying by paper check. For assistance using the eFile & Pay system, call 1-866-503-3453 or 515/281-8453.

Every withholding agent is required to file a return for each period during the calendar year, even if tax was not withheld during that period.

Penalty and Interest on Delinquent Returns

Returns and deposits must be filed no later than the due date to be timely. After the due date the amount of tax due is subject to penalty and interest. If you mail your payment instead of paying electronically, the postmark must be by the due date to be timely.

A penalty of 10 percent is added to the tax due for failure to timely file a return if it is not submitted by the due date and at least 90 percent of the correct tax is not paid by the due date. A penalty of 5 percent is added to the tax due if the return is timely filed but at least 90 percent of the correct tax is not paid by the due date.

These penalties can be waived only under limited circumstances. If both penalties apply, only the failure to file penalty of 10 percent is imposed.

Interest is added to unpaid tax at a rate prescribed by law from the due date until payment is received. eFile & Pay will automatically calculate any interest due. Interest cannot be waived.

Iowa W-4

Within 15 days, each new hire and rehire is required to complete and sign an Iowa W-4. It must show the number of allowances the employee is claiming. If for any reason the employee does not complete an IA W-4, the employer must withhold at zero allowances.

Employers must keep copies of W-4 forms in their files for at least four years.

The Iowa W-4 is available online (pdf) . The federal W-4 (pdf) is available on the IRS Web site at www.irs.gov.

An employee who does not expect to owe tax during the year may file the Iowa W-4 claiming exemption from tax. Persons below the annual income levels shown below are eligible to claim exemption from Iowa withholding:

- A married couple or a head of household with a total income of \$13,500 or less.
- A single person with income of \$9,000 or less.
- A single person with income of less than \$5,000 who is claimed as a dependent on someone else's Iowa return.

Exemption for persons age 65 or older:

- Starting with the 2009 tax year, a married couple or a head of household with a total income for the year of \$32,000 or less may file for exemption, if at least one

- spouse (in the case of a married couple) or the head of household is 65 years or older as of December 31 of the year.
- Starting with the 2009 tax year, a single person who is 65 years or older as of December 31 of the tax year may file for exemption if their income is \$24,000 or less.

VSP

All withholding agents are required to submit a completed Verified Summary of Payments Report (VSP) by the last day of February. This covers the Iowa income tax withholding payments made in the prior calendar year. The VSP is submitted online through eFile & Pay or by touch-tone telephone. Paper VSPs are not provided.

W-2

Employers are not required to send copies of W-2s or 1099s to the state of Iowa with the VSP. Employers are still required to keep copies of the W-2s and 1099s for at least four years from the end of the year for which the forms apply.

W-2s must be given to employees on or before the last day of January following the tax year or within 30 days of the time the last wage payment is received if requested by the employee. This statement must contain the name, address, and federal employer identification number of the employer; and the name, address and Social Security Number of the employee; the gross amount of compensation paid to the employee during the year, and the amount of federal and state tax withheld.

Blank W-2s may be obtained by contacting the IRS at 1-800-829-3676 or a commercial printer.

Employees: If you need a copy of your W-2, first ask your employer. Since employers are not required to send copies of W-2s to the Iowa Department of Revenue, we are not able to furnish them to you. The Social Security Administration (SSA) will provide copies of W-2 forms for retirement purposes at no charge and for other than retirement purposes for a fee. Call 1-800-772-1213, or visit the SSA Web site at www.ssa.gov for instructions on how to obtain wage information from the SSA.

For more detailed information regarding Iowa withholding, see our [Withholding Tax Information](#) publication.

Iowa Fuel Tax

Iowa fuel tax paid on fuel used in agricultural production is eligible for credit or refund of that fuel tax. Fuel used to power implements engaged in agricultural production is also exempt from sales/use tax.

Motor Fuel Credits and Refunds

Credits or refunds may be claimed in the following manner:

- A motor fuel credit may be taken when you file your Iowa income tax return by using form **IA 4136**. This convenient method does not require a permit. The form is found on our [income tax forms page](#).
- You may apply for a refund permit and use our refund call-in system to file refund claims. To obtain a refund permit, complete the [80-005 Refund Permit Application](#) (pdf).

In order to use the refund call-in system, you must:

- have an active refund permit, and
- claim the refund within 3 years of purchase

If you would like more details, review [85-030 Information on Motor Fuel Tax Refund Claims](#) (pdf).

Dyed Diesel Fuel

Dyed diesel fuel may be purchased free of Iowa fuel tax. Therefore, farmers should purchase dyed diesel fuel for agricultural use whenever possible. Since fuel tax will not be charged at the time of purchase, no refund or credit will be necessary. Fuel tax will be charged on purchases of undyed diesel and all other types of motor fuel.

Agribusiness Sales/Use Tax Issues

This section is written for cooperatives, elevators, agricultural-chemical dealers, and fertilizer dealers, with the intent of clarifying misunderstandings related to sales and use tax which have been found through the audit procedures of the Iowa Department of Revenue.

- Farm machinery and equipment **are not exempt** unless used directly and primarily in the production of agricultural products.
- "Production of agricultural products"**begins** with:
 1. Cultivation of land previously cleared for planting crops; or
 2. The purchase or breeding of livestock or domesticated fowl.
- "Production of agricultural products"**ceases** when a product has been transported to the point where it will be sold by the farmer or processed.
- All vehicles subject to registration are taxable without exception.

- All equipment attached to a vehicle subject to registration is taxable without exception.
- Replacement parts for exempt machinery and equipment are usually exempt.
- Labor to repair exempt machinery and equipment is always taxable. If parts are not separately itemized from labor, the entire charge is subject to tax.
- Grain testing and grain storage are taxable.
- Manufacturing machinery and equipment may be exempt if used directly in a manufacturing process.
- Pest eradication is taxable.
- Computers are taxable unless they are used in processing or storage of data by an insurance company, financial institution or commercial enterprise. Farmers cannot purchase computers tax exempt, but an agribusiness may be eligible for exemption.

Taxable vs. Exempt Examples

If a nurse tank is attached to a vehicle subject to registration, the nurse tank is taxable.

A nurse tank (for example, anhydrous ammonia tank) drawn by a self-propelled implement of husbandry is exempt if used in agricultural production.

A grain-vacuum-conveyer used at an elevator is taxable.

The same grain-vacuum-conveyer used primarily and directly on a farm in agricultural production is exempt.

A farmer uses a tractor to till fields and harvest crops. The farmer will buy the tractor exempt.

The same tractor will be taxable if purchased by an elevator to primarily haul grain from an unloading dock to a silo.

A co-op uses a skidloader 60 percent of the time to clean the feedlot of its livestock operation. The remaining 40 percent is used to handle fertilizer and do utility work on the co-op premises. The skidloader is exempt because it is primarily (60%) used in agricultural production.

A co-op uses a skidloader 100 percent of the time at its fertilizer blending facility. The skidloader may be exempt if used directly in a manufacturing process; otherwise, it is taxable.

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