



# Iowa Department of Revenue

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# Iowa Consumer's Use Tax

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## What is Consumer's Use Tax?

Iowa's tax structure allows for various types of use tax. The information in this publication addresses consumer's use tax only. (Out-of-state businesses that want to be licensed to collect Iowa tax should complete the [online Iowa Business Tax Registration form](#) to apply for a retailer's use tax permit.)

Iowa's sales tax is complemented by a use tax. The rate for both, beginning July 1, 2008, is 6%.

Both the sales tax and the consumer's use tax are applied to the receipts from sales of tangible personal property and taxable services. The difference between the two taxes is the circumstances under which the taxes are imposed.

## Sales Tax is Applied When...

Sales tax is imposed on the gross receipts resulting from a sales transaction of taxable services or tangible personal property at the time the sale takes place. The seller of the goods or services is responsible for collecting, reporting, and remitting the sales tax. The tax is imposed when the first use of a service occurs, or potentially could occur, in Iowa or when the tangible personal property is delivered in Iowa.

## Consumer's Use Tax is Applied When...

Consumer's use tax, on the other hand, is imposed *after* the sale takes place and only on goods and services that have not yet been subjected to sales tax. In most cases, these are purchases made from an out-of-state supplier not collecting Iowa tax and that are for use in Iowa. Ordinarily, the retailer is responsible for collection of the tax; however, if the retailer is not required by law to collect the tax or the Iowa retailer fails to collect the tax, the purchaser is then responsible for consumer's use tax. The purchaser must pay the use tax when ownership or control of the purchase is taken.

Use tax applies to, but is not limited to, purchases made tax free through mail-order catalogs, television shopping programs, the Internet, toll-free 800 numbers; magazine subscriptions; and untaxed purchases made while in another state and shipped or otherwise brought into Iowa. Anyone – individuals and businesses – who makes these types of purchases is required to pay consumer's use tax to the Iowa Department of Revenue.

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 for consumer's use tax.

Also see [Consumer's Use Tax Permit - Do You Need One?](#)

No registration fee is charged and no physical permit certificate is issued to businesses, although a consumer's use tax number is assigned. Complete the [online Iowa Business Tax Registration form](#) to obtain a number.

Iowa consumer's use tax is filed online through the [Department's Website](#) or by touch-tone telephone at 1-800-514-8296. If you have questions about eFile & Pay, please contact Taxpayer Services at 515-281-3114 or 1-800-367-3388 (Iowa, Omaha, Rock Island, Moline) or [idr@iowa.gov](mailto:idr@iowa.gov)

## Businesses:

Businesses making taxable purchases on a regular basis should register with our Department to file consumer's use tax returns. However, some businesses may only occasionally make purchases for their own use and owe Iowa consumer's use tax. If this type of purchase is not typical for your business, instead of separately registering for consumer's use tax you can report the purchase on line 2 Goods Consumed of your quarterly sales tax return or file and pay the tax as outlined for individuals below.

Businesses should review all purchases of goods or services to determine if the vendor collected the proper tax. Businesses that fail to do so may find themselves with a use tax liability, plus penalty and interest, for not reporting the use tax in a timely manner.

File electronically through [eFile & Pay](#) or file [on paper](#).

**Out-of-state contractors** who do not have a permanent location in Iowa and who regularly conduct business in the state should apply for a retailer's use tax permit. The purchase price of the building materials and equipment that are purchased for use on a construction project in Iowa must be shown on the Goods Consumed line of the retailer's use tax return. Out-of-state contractors and other business people who are engaged in a one-time, non-recurring project or sale are not required to obtain a retailer's use tax permit. However, they should follow the instructions given below for individuals who owe tax from a single, non-recurring transaction. Complete the [online Iowa Business Tax Registration form](#) to obtain a permit.

## Individuals:

Individuals without a permit who rarely make purchases subject to consumer's use tax should pay their tax in one of the following ways:

- Electronically through [eFile & Pay](#)
- Complete the worksheet [available on the Department's Website](#) and send to:  
Iowa Department of Revenue  
PO Box 10412

Des Moines, IA 50306-0412

Make check payable to: "Treasurer State of Iowa"

Anyone who regularly purchases merchandise from out of state for his or her own use in Iowa should register for a consumer's use tax permit and pay the tax on a quarterly basis.

## **Examples of Purchases of Tangible Personal Property**

Consider the following situations when consumer's use tax is due:

- A business purchases furniture and office supplies from a vendor in another state who is not registered to collect Iowa sales/use tax. The Iowa business does not resell these items; it uses them. If sales/use tax was not paid on these items when they were purchased, the business owes consumer's use tax to Iowa.
- An Iowa doctor who makes an untaxed out-of-state purchase of an exam table owes Iowa consumer's use tax.
- An Iowa individual purchases clothing or stereo equipment or jewelry through a mail order catalog and does not pay Iowa sales tax to the mail order company; that person owes consumer's use tax to Iowa.

## **Taxable Services**

Not all services are subject to the Iowa sales and use tax. Only enumerated or listed services are taxable. For a complete listing of taxable services, see [Taxable Services](#) (78-524).

A person or business that purchases taxable services from an out-of-state vendor who is not registered to collect or fails to charge Iowa tax owes consumer's use tax to Iowa if the results of the services are used in Iowa.

### **Examples**

- An Iowa resident who sends jewelry or watches out of Iowa for repair will owe consumer's use tax on the repair costs – both materials and labor – if the out-of-state vendor is not registered to collect Iowa tax and if no tax is paid to the other state. (Jewelry and watch repair are subject to Iowa tax.)
- An Iowa business has a vehicle repaired out-of-state. If the out-of-state vendor did not collect tax on the transaction, then Iowa use tax is due upon the vehicle's return to Iowa. (Vehicle repair is also an Iowa taxable service.)

If tangible personal property is sent out of state to be repaired and the service is not taxable in Iowa, the person owes consumer's use tax on only the materials furnished and used in the repair if the materials are separately itemized on the bill. If the materials and nontaxable services are not separately itemized, the tax is due on the invoiced amount. Separately itemized delivery charges are not taxable.

## Paying Tax to Another State

If possession is taken in another state and sales tax has already been paid to the other state on the goods or services, no additional tax is due if the tax paid is the same or more than Iowa's state rate. If the tax is less, the buyer owes Iowa the difference. It is the purchaser's responsibility to show where delivery took place and that the sales tax has been paid.

## Local Option Sales Tax

When a purchase is made out of state for use in Iowa, local option tax is *not* due in addition to consumer's use tax. However, in transactions where Iowa sales tax and local option tax should have been charged but was not, the business making the purchase must report and pay the local option in addition to the consumer's use tax. [Details about local option tax](#) are available.

Since situations do sometimes arise where retailers do not properly charge the local option tax to their customers, there are lines on the consumer's use tax return to allow for payment of the local option tax in those situations.

## Goods Consumed

As mentioned previously, a business may only occasionally make a purchase for its own use that is subject to Iowa consumer's use tax. In that case, the business can report the purchase and pay the tax due on its quarterly sales tax return on line 2 Goods Consumed instead of separately registering for consumer's use tax.

However, do not confuse true "goods consumed" with items subject to consumer's use tax.

"Goods consumed" are items purchased tax-free by a business and intended for resale, but which are later used for personal or business reasons. Whenever inventory is withdrawn for use by the business, the cost of those items is placed on the Goods Consumed line of the sales tax return. An example of this is items withdrawn from inventory to demonstrate products or to give away as prizes for a contest or fundraiser.

## Use Tax Protects Iowa Businesses

This tax was established in 1937, three years after the sales tax was enacted, to create a fair playing field for Iowa businesses. In Iowa, the rate of the consumer's use tax is always equal to the state sales tax rate.

Use tax protects instate businesses from unfair competition by ensuring tax will be paid even if an out-of-state seller is not required to collect it from the purchaser. When tax is not collected on taxable purchases and services used in your community, local businesses operate at a competitive disadvantage. This in turn affects the economic health of your community and state.

If an out-of-state retail business has a physical presence (nexus) such as a store, warehouse, or sales staff in Iowa, it is required by law to register and collect Iowa tax. Businesses that make sales into Iowa but lack physical presence in the state are not currently required to collect Iowa tax. Many out-of-state businesses, however, voluntarily collect Iowa tax as a courtesy to their customers.

Out-of-state businesses are encouraged to register and collect Iowa tax voluntarily. If they do not, Iowa may contact the purchasers directly for payment. See information on the [Streamlined Sales Tax Project](#).

Use tax can be a complex issue. We encourage you to contact the Department if you have any questions. To contact a tax specialist, call 1-800-367-3388 or email [idr@iowa.gov](mailto:idr@iowa.gov).

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