



Iowa Department of Revenue

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Director: Mark R. Schuling  
Hoover State Office Building  
Des Moines, Iowa 50319  
[www.state.ia.us/tax](http://www.state.ia.us/tax)

June 3, 2008

Tom Junge  
Iowa Field Director  
Iowa-Nebraska Equipment Dealers Association  
1311 50<sup>th</sup> Street  
West Des Moines, IA 50266-1782

Dear Mr. Junge:

Re: Global positioning equipment and systems, your letters, 05-07-2008.

Your recent letter to the Iowa Department of Revenue has been given to me for reply. Please allow me to introduce myself. My name is Darwin Clupper. I am a technical tax specialist with the Department of Revenue's Policy Section. My particular area of concentration is Iowa sales and use tax law.

You inquire on behalf of your Association's members who are seeing an increase in their sales of global positioning systems to farmers. I have some knowledge of how these systems are used when they are attached to self-propelled farm implements which spread fertilizer. The exact indications of latitude and longitude which these systems provide allow a farmer to precisely measure the amount of fertilizer which a plot of ground needs, putting less where the soil is richer (an old pond) greater where the fertility is less (clayed soil).

GPS receivers, guidance systems, and auto-steer devices are part of the equipment which makes up a global positioning system. Also part of that system is software which is the operating system for a computer used in a global positioning system. Finally, part of a global positioning system is a farmer's access to a satellite communication service and possibly a thing called a real time kinematic tower, which, for the purposes of answering this letter, I assume is some sort of microwave tower. Access to this service is by way of a monthly or annual subscription fee. Your letter treats this fee as taxable so I assume the fee is paid for a communication service or for pay television, services taxed under Iowa Code, § 423.2 (2007).

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In reply to the questions set out in your letter, Iowa Code, § 423.3(8) (2007) reads in relevant part and exempts from tax the following:

8. The sales price exclusive of services of farm machinery and equipment, including auxiliary attachments which improve the performance, safety, operation, or efficiency of the machinery and equipment . . . if the following conditions are met:

a. The farm machinery and equipment shall be directly and primarily used in production of agricultural products.

b. The farm machinery and equipment shall constitute self-propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.

. . .

Vehicles subject to registration, as defined in section 423.1, or replacement parts for such vehicles, are not eligible for this exemption.

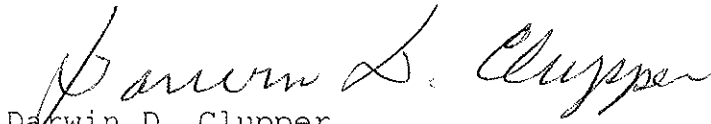
Sales of these global positioning systems to farmers would be exempt from Iowa tax. The systems are auxiliary attachments which improve the performance, operation, or efficiency, of self-propelled machinery or equipment which is directly and primarily used in agricultural production. I caution that sales of computers to farmers, standing alone, are not exempt from tax, but the sale of a computer would be exempt if the computer were a component part of a global positioning system used in agricultural production.

Sales of the satellite subscription fees are sales of services, and sales of services are excluded from the exemption set out in § 423.3(8) of the Code. Of the exemptions applicable to agriculture set out in Iowa Code, §§ 423.3(3) through 423.3(16) (2007) I cannot see any which apply to the subscription service. So, even though the sales price of the machinery and equipment would be exempt from Iowa tax, the sales price of the subscription service associated with it would remain taxable. If the service were provided by an out-of-state retailer with no nexus with this state, the purchase price of the service would be subject to Iowa use tax.

June 5, 2008  
Tom Junge  
Page 3

In closing, I must issue my usual warning. Please be advised that this letter is an informal opinion and is only applicable to the factual situation referenced and to the statutes in existence at the time of issuance. Because of this, the Department could, in the future, take a position contrary to that stated in the letter.

Sincerely,

A handwritten signature in cursive script that reads "Darwin D. Clupper". The signature is written in dark ink and is positioned above the typed name.

Darwin D. Clupper  
Tax Specialist, Policy Section  
Compliance Division  
515-281-3670