

## **Iowa Sales Tax in Review#4**

### ***Local Sales and Service Tax (Iowa Code 422B.8)***

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A local sales and service tax may be imposed by a jurisdiction on the gross receipts taxed by the state. A local sales and service tax shall be imposed on the same basis as the state sales and service tax and may not be imposed on the sale of any property or on any service not taxed by the state.

**Point of service and point of delivery constitute the point of sale.** Therefore, the local option sales tax applies if service is performed or a taxable product is delivered within a local option jurisdiction. “Delivery” is the location in which the ownership of the goods is transferred from the seller to the buyer and where the service is rendered, furnished, or performed.

In most instances, the transfer takes place at the seller’s place of business. However, if the seller transfers the property to the buyer from the seller’s own vehicle, then the transfer usually takes place at the buyer’s residence or place of business.

#### ***Example 1 – Delivering Equipment***

If a dealer delivers a lawn mower to a customer in a local option jurisdiction, the point of sale resides in that jurisdiction. Therefore, the dealer must collect both the local option tax and the state sales tax. However, if the customer picks up the lawn mower at the dealer’s facility (located in a jurisdiction that does not have a local option tax), only the state sales tax needs to be collected. Dealers are advised to indicate the point of sale (whether delivered or picked-up by the customer) on the retail order.

#### ***Example 2 – Service Calls***

Using the same scenario, if a dealer makes a service call in a jurisdiction that has a local option tax, the dealer needs to collect the state sales tax on labor along with the local option tax. However, if that same service is performed at the dealer’s facility, only the state sales tax has to be collected (non-local option jurisdiction).

### **Exemption For Construction Equipment**

Remember, certain types of construction equipment remain exempt from the local option sales tax and the local school infrastructure sales tax. That equipment is defined as:

“... self-propelled building equipment, pile drivers, motorized scaffolding, or attachments customarily drawn or attached to self-propelled building equipment, pile drivers, and motorized scaffolding, including auxiliary attachments which improve the performance, safety, operation, or efficiency of the equipment and replacement parts and are directly and primarily used by contractors, subcontractors, and builders for new construction, reconstruction, alterations, expansion, or remodeling of real property or structures ...”

*The above language took effect May 20, 1999.*

Examples of equipment include: dozers, graders, asphalt and concrete pavers, cranes, rollers, skid steers, backhoes, excavators and equipment drawn by self-propelled equipment, like rollers. (Covered equipment is not limited to these specific examples.)

This exemption *only* applies to local option sales taxes, *not* the state sales tax.

In order for this provision to be applicable, it must include equipment or parts specifically described above and the equipment must be directly and primarily used by contractors, subcontractors or builders for the purposes specifically described above.

In addition, a purchaser claiming the purchase is exempt from the local option sales taxes must complete an Iowa Sales Tax Exemption Certificate. Please note: this certificate does not reflect a category for construction equipment and local option sales taxes. We recommend you check the “other” box under the section, “Purchaser is doing business as a” and write in either “contractor, subcontractor or builder.” Under the section, “Purchaser is claiming exemption for the following reason” check the “other” box and write in “qualifying self-propelled building equipment or parts under Section 42213.8 and Section 422E.3.” It remains very important to describe the equipment or part being purchased.

The Iowa Department of Revenue and Finance also allows contractors to complete a blanket exemption certificate to be filed with equipment dealers.