Iowa Sales/Use Tax Basics Webinar Q & A
September 5, 2013

Q: Could I obtain a copy of the PowerPoint presentation?
A: A copy of the PowerPoint will be made available at www.iowataxwebinars.com.

Q: Is labor still taxable even if the customer has an exemption certificate?
A: Taxable services can be purchased tax free if a valid exemption certificate is provided to the retailer.

Q: It appears that some classes are sales taxable. What about knitting lessons and classes?
A: Knitting lessons are not subject to sales tax.

Q: What about training - such as having a technician conduct a training class to teach folks how to use a piece of our equipment?
A: That type of training isn't taxable. Training materials may be taxed.

Q: Does LOST apply to use tax.. or just sales tax?
A: LOST is only applicable to sales tax.

Q: When efile and pay is used, there is a line that includes local option tax on the consumer’s use tax return. Is local option tax amount to be added to the amount due?
A: Even though it is a sales tax, LOST sometimes does need to be reported on a use tax return. Send an e-mail to idr@iowa.gov for more details.

Q: Hence, it would be correct to say LOST in only applicable to Sales Tax and NOT any use tax transactions.
A: Technically, that is true, but as I mentioned in a prior answer, LOST can sometimes be reported on a use tax return.

Q: So Use Tax should never be paid at 7%? It’s always 6%?
A: True use tax is only subject to 6%, but as I mentioned earlier, LOST can sometimes be reported on a use tax return.

Q: LOST does or does not apply to Retailer Use Tax?
A: It depends on where and how delivery is occurring.

Q: Would it be correct to say that sales tax % in Iowa is either 6 or 7 percent?
A: The state rate is 6%. LOST rates are always 1%, for a total of 7% in those areas.

Q: Are direct mailings entering Iowa taxable?
A: Potentially. Send an e-mail to idr@iowa.gov for more details.

Q: Do you need to charge sales tax when fixing a computer or phone?
A: Machine repair is a taxable service. Simply working with the software on a computer isn’t considered machine repair.

Q: So getting a virus off a machine is non taxable but changing out a hard drive is?
A: Correct.

Q: Are vehicle purchases subject to LOST?
A: No, vehicle purchases are not subject to LOST.

Q: But if the person bought the fridge IN Des Moines, and took it with them, then it would only be 6% correct? Regardless of where they live?
A: Correct.

Q: What if a common carrier delivers the refrigerator?
A: In the quiz example, a common carrier wouldn't impact the taxability.

Q: What if customer was taking item in their own truck home?
A: Tax would be based on the point where that customer took possession of the item.

Q: So does LOST work the other way as well, if the Fridge was bought in Adel where there is LOST and delivered to Des Moines where there is not, would they not owe the LOST on that sale?
A: That is correct.

Q: Just so I understand this correctly. If I mail a taxable item to a customer in another county in IA the LOST is what? The LOST is in their county not mine?
A: Yes, that is correct.

Q: If we purchase from a company who has a branch and sales person within Iowa, but their corporate location is out of the state, we only owe the 6% use tax they charge us?
A: It depends on where and how delivery occurred. See the following link for more information: http://www.iowa.gov/tax/educate/SLSTDestination.html

Q: How does it work for sales tax if you operate a business online and have no direct place of business but sell to customers in and out of state?
A: The point of delivery is controlling. Items delivered out-of-state are not subject to Iowa tax.

Q: My current sales tax number is a 1-77 number. I do graphic design services and have a small amount of retail goods. Should I have a 1-85 number instead?
A: The second two digits of your permit number should be the county number where you are located. If you've moved your business location from one county to another, you should cancel the current permit and apply for a new one.

Q: Are parts that will be affixed into real estate subject to use tax? Such as kitchen cabinets?
A: That is a somewhat complex question. Please send an e-mail to idr@iowa.gov

Q: If you have a dump trailer and deliver mulch to individuals, is this taxable? If you haul junk away from a person's house, is that taxable?
A: Mulch is taxable, but the delivery charge is exempt if separately stated and directly related to the transportation cost. Solid waste collection from a residence is not taxable, but is taxable for a nonresidential customer.

Q: Our business purchased a lighting fixture on-line from an out of state retailer and we will be selling this item. Do we pay use tax or can we bill the customer for sales tax?
A: Your purchase is tax free for resale. You collect tax from your customer.

Q: In an extension of a previous, does her business buying the light fixture need to present anything to where she is buying it from so she doesn’t have to pay sales tax? 
A: A sales tax exemption certificate should be completed.

Q: An out of state business has an employee that lives in IA but does only sales solicitation. All sales are approved at the headquarters located outside of IA. Is there nexus?
A: Yes, that creates nexus for sales tax purposes.

Q: What is the ruling on customers who have no nexus in the state of IA? I have distributors who only have 1 physical location in their home state, they do not use their own trucks to deliver & they have no sales/service people in IA.
A: They would not be required to collect Iowa tax, but can do so voluntarily.

Q: If a technician has their primary residence in Iowa, but they work for business in Illinois on a mfg line making widgets - does this create a nexus? Or would they only create nexus if they were in a sales/representative role?
A: Correct. Simply having an employee living in Iowa doesn’t create nexus unless that person is performing work for the company in Iowa.

Q: Delivery occurs into a county/city with LOST by common carrier. Would we owe the 1% LOST?
A: If the retailer is in Iowa, yes. If the retailer is outside Iowa, the method of delivery will impact whether LOST is due. See the following link for more information: http://www.iowa.gov/tax/educate/SLSTDestination.html

Q: If we purchase a taxable item in Iowa and the retailer does not invoice for sales tax can we assess use tax on this?
A: Yes, you can pay the tax yourself.

Q: If we purchase some goods from an in-state Iowa Retailer and they do NOT charge us the Iowa sales tax -- must WE self-assess a use tax for these purchases.
A: Correct. We recommend you also contact the retailer to correct the situation on future transactions.

Q: If a Iowa garbage collector misses charging tax on an invoice, should the consumer ask them to reissue the invoice or just pay the amount to the State of Iowa?
A: Contact the garbage collector and have them tax you correctly. If they refuse to collect the correct tax, they you can submit it to the Department yourself.

Q: If an Iowa vendor did not charge sales tax, and I am required to pay use tax, will LOST apply?
A: Yes, LOST is due in this situation, if delivery occurred in a LOST area.

Q: If we purchase from an Iowa vendor that does not charge sales tax, would we be required to submit 6% use tax or would it be 7%? Previously I was instructed that purchasing from an Iowa vendor required 7% use tax.
A: Purchases from an Iowa retailer, delivered into a LOST area, are subject to 7% tax.
Q: Is there a separate fee for each tax permit?
A: There is no fee for any Iowa sales/use tax permit.

Q: Can we pay the consumer's use tax on the retailers use tax return?
A: If you are an out-of-state business, you should report it on line 2 as Goods Consumed on your retailer’s use tax return.

Q: For a towing business....do we charge taxes accordingly (i.e. LOST) for the county we pick the vehicle up in or the county we deliver the vehicle in?
A: First use is controlling, so it would be where the vehicle is picked up.

Q: A Missouri customer is a sawmill/ logger operator. His accountant told him he is farm exempt. Do I charge him Iowa tax on business purchases?
A: I don’t believe I fully understand the situation. Please send an e-mail to idr@iowa.gov.

Q: We have items that a recycling business takes and recycles, then pays us per lb. Is this taxable?
A: They are probably buying the material for resale, so should provide you a sales tax exemption certificate.

Q: What if someone moves to Iowa with all of their possessions, do they owe tax on everything?
A: No, because at the time of purchase they had no intent to use the goods in Iowa.

Q: Are returned check fees or posting fees taxable for public utilities?
A: I don't believe I have all the details needed to respond. Please send an e-mail to idr@iowa.gov.

Q: What is the best way to cancel a sales tax permit?
A: You can cancel a permit online at our website: http://www.iowa.gov/tax/forms/change_cancel.html

Q: How do you cancel a sales tax permit if you don’t need it?
A: You can cancel a permit online through our website at: http://www.iowa.gov/tax/forms/change_cancel.html

Q: What about wiring a wall is that charged sales tax?
A: Electrical repair and installation are taxable services, unless performed on or connected with new construction, reconstruction, alteration, expansion or remodeling of real property.

Q: Let’s say we have a "light" month and have no taxable sales to the state of IA. We would report zero on the return & continue at the frequency we file at normally? We are a monthly filer right now.
A: Yes, that is correct.

Q: We are providing a garbage service to the consumer in IA, which is specifically called out in the taxable service list. Our truck goes, picks up trash, and returns to IL.
A: Solid waste collection/disposal is taxable in Iowa for a nonresidential customer.

Q: We are currently paying LOST on the service, should we be?
A: Yes, if the solid waste is collected in an area that has LOST.
Q: What are these "tax exempt" numbers some businesses present at a retailer that states they are "tax exempt" on purchases?
A: Iowa does not issue "tax exempt" numbers. They are probably referring to a tax permit number, but they have nothing to do with being tax exempt. An exemption certificate is needed for tax exempt transactions: [http://www.iowa.gov/tax/forms/31014.pdf](http://www.iowa.gov/tax/forms/31014.pdf)

Q: Let's say I purchase goods that I am going to resale, but they have charged me Iowa sales tax. Is that deductible on our taxes?
A: If you are making a sale of tangible personal property, and already paid tax on the item, you can show your cost of the item as an Exemption on line 4 of your quarterly sales tax return.

Q: If my company purchases an item and pays tax, when we resell to a customer, do we need to charge taxes again to the customer?
A: Yes, you will still need to collect tax on the sale, but you can take a deduction on the quarterly tax return for the cost of the item that you already paid tax on.

Q: Are tangible property installations subject to sales tax?
A: Maybe. Please refer question to idr@iowa.gov

Q: Freight/handling/shipping, transportation charges etc.. - does the no sales tax rule only apply to instate sales or also to out of state vendors shipping to IA?
A: The "transportation" exemption applies to both in-state and out-of-state vendors.

Q: If we have been paying 7% Use Tax, who can we contact to see if that's actually what we should have paid? Or how do we get a refund if we only should have paid 6%?
A: Contact the Department at idr@iowa.gov. A claim for refund is filed on an IA843: [http://www.iowa.gov/tax/forms/22009.pdf](http://www.iowa.gov/tax/forms/22009.pdf)

Q: Is a maintenance agreement on equipment we sold and installed taxable?
A: Yes, the sale of a maintenance agreement is taxable.

Q: A maintenance agreement is tangible property? Or were you just referring to the equipment being taxable?
A: For Iowa sales/use tax purposes, a maintenance agreement is treated as a sale of tangible property.

Q: Is the purchaser or the seller responsible for holding the exemption certificate?
A: The purchaser presents it to the seller, who keeps it in their records.

Q: Can't you provide a tax exemption certificate & then pay appropriate tax directly to state rather than having the vendor collect for the State?
A: Only the direct pay permit holders can do that.

Q: If we purchase items that will become a component in a product that we sell, is that purchase considered to be for resale?
A: If you are involved in the sale of tangible personal property, yes.

Q: If you sell crafts at a craft booth, should you be collecting sales tax?
A: Yes, tax is due if you are making the sale. If the person that owns the craft booth is making
the sale, they will collect the tax.

Q: Does the tax exempt form need to be filled out every year if there are no changes?
A: They are good for a maximum of 3 years if there are no changes.

Q: Will there be a webinar on Construction Management/Construction
A: We had a presentation on this topic – see http://iasourcelink.com/resources/business-webinars/iowa-tax-webinars/iowa-sales-tax-issues-for-construction-contractors

Q: Any webinars for nonprofit?
A: We don’t have a Webinar currently scheduled regarding nonprofit entities, but it is on our list of potential future topics.

Q: Is sales tax supposed to be charged on the sale of a gift certificate?
A: No, tax is due when the certificate is redeemed, not when it is purchased.

Q: If someone gives me a gift certificate for a massage (assuming this is a taxable service) - I go get the massage - they are required to charge me sales tax? The gift certificate would have been purchased without the sales tax.
A: Massage performed by a licensed massage therapist is not taxable. Gift certificate purchases are not taxable, but when redeemed for taxable goods or services, tax is due on those transactions.

Q: You may have mentioned it, but where may I find the list of services that are taxable?
Thank you.
A: Taxable services can be found here: http://iowa.gov/tax/educate/78524.html

Q: You mentioned that there were 30 Direct Pay businesses. Did I get the # right and is there a list somewhere?
A: The list isn’t public as it is confidential information.

Q: Is there a way to find out if a direct pay permit is still valid?
A: Yes, send your question to idr@iowa.gov

Q: Are there rulings on taxation for digital content sales that can be researched in the law library?
A: Yes. Here is the link to our tax research library: http://itrl.idr.iowa.gov/

Q: If items for retail are purchased out of state (and therefore not charge sales tax) do I still need to fill out a tax exempt form for that supplier?
A: You will need to ask your supplier what documentation is needed for exemption in their state.

Q: Can you provide a copy of your exemption certificate stating reason for exemption is resale and they will adjust the tax from your invoice.
A: If claiming exemption from sales tax, the purchaser must provide a completed exemption certificate to the seller.