



# Iowa Sales & Use Tax

June 12, 2019 | Terry O'Neill

# Disclaimer

Please be advised that the information in this presentation contains informal opinions and are only applicable to the factual situations referenced and to the statutes in existence as of the date of this presentation.

The Iowa Department of Revenue may take a contrary position in the future to what is stated today. Any oral or written opinion by Department personnel not pursuant to a Petition for Declaratory Order under Iowa Administrative Code rule 701-7.24 is not binding on the Department.

# Tax Rate

- 6% State Sales and Use tax
- 1% Local Option Sales Tax (LOST) for applicable Iowa counties and cities
  
- Important Rules:
  - Tax cannot be absorbed (or paid) by the retailer
  - Sales tax can be included in the total sales price if posted

Iowa Department of  
**REVENUE**

**Nexus**

# Nexus

- You are required to charge and collect sales tax if you have nexus (presence) in Iowa.
- There are two types of nexus:
  - Physical
  - Economic

# Physical Nexus

- What Creates Physical Nexus?
  - An office, warehouse, or other business property in Iowa
  - A representative located in Iowa permanently or temporarily:
    - an employee of the retailer or an independent contractor
  - Installation of products in Iowa
  - A construction contractor performing a contract in Iowa
  - Service work performed in Iowa
  - Delivery of products by your own trucks in Iowa
  - Leases of tangible personal property in Iowa

# Economic Nexus

- What creates economic nexus?
  - Remote sellers that have \$100,000 or more of gross revenue from Iowa sales or make 200 or more separate sales transactions into Iowa
  - Marketplace facilitators that make or facilitate \$100,000 or more of gross revenue from Iowa sales or make or facilitate Iowa sales in 200 or more separate transactions
  - **Starting July 1, 2019:** 200 separate transaction threshold is eliminated for both remote sellers and marketplace facilitators



# Permit Requirements



# Sales Tax Permit Requirements

- Any business with nexus (physical or economic) in Iowa must register for a sales tax permit and collect Iowa sales tax and any applicable local option sales tax (LOST)

# Use Tax Permit Requirements

## Retailer's Use:

- Retailers without physical presence in Iowa **and** whose gross revenue from Iowa sales is below the amount required to collect sales tax may use a retailer's use tax permit.
- The sales and use tax collection provisions of SF 2417 require many sellers who currently have a retailer's use tax permit to obtain a sales tax permit instead.

# Iowa Tax Permits

- Applications for all permits are on the Department's website
- It is illegal to make taxable sales without a permit
- Each retail location must have its own permit
- Different formatting for types of permits:
  - Retail Sales: 1-85-000000
  - Retailer's Use: 2-00-000000
  - Consumer's Use: 9-64-000000
  - Direct Pay: 1-77-900000
- Once issued, a permit is effective until it is canceled by the retailer or revoked by the Department

# Direct Pay Permits

A Direct Pay Permit allows qualified purchasers, users, and consumers of tangible personal property, specified digital products, or taxable services to remit sales and use tax, including any applicable local option tax (LOST), directly to the Department rather than to their suppliers.

[tax.iowa.gov/direct-pay-permits](https://tax.iowa.gov/direct-pay-permits)

Iowa Department of  
**REVENUE**

**Sales Tax**

# Sales Tax

- Sales tax must be collected when a sale is sourced to Iowa:
  - If purchaser first possesses the product in Iowa;
  - If the product is delivered to Iowa; **or**
  - If the service is first used in Iowa.
- Sales tax is paid by the final consumer and collected by the retailer. It is then remitted to the state by the retailer.

# What is Taxable?

- All tangible personal property, specified digital products, or enumerated services unless a specific exemption has been written into law.
- Common taxable services include:
  - appliance repair, cosmetology, electrical repair or installation, janitorial, lawn care and landscaping, interior decorating, and photography.
- Exemptions for taxes include:
  - Services performed on or connected with new construction, reconstruction, alteration, expansion, or remodeling of a building or structure
  - Services performed for an employer
  - Items purchased for resale



# Local Option Sales Tax



# Local Option Sales Tax (LOST)

- Retailers (including remote sellers) and marketplace facilitators required to have an Iowa sales tax permit must collect state sales tax and applicable local option sales tax on all taxable Iowa retail sales.
- LOST is an additional 1% sales tax that can be imposed by Iowa counties and cities
  - Applies when taxable sales are sourced to a jurisdiction imposing the tax
  - Does not require a special permit to collect
  - Generally applies to the same sales that are subject to sales tax
- Find jurisdictions with LOST using the **Sales Tax Lookup** tool on [tax.iowa.gov](http://tax.iowa.gov) homepage

Iowa Department of  
**REVENUE**

**Use Tax**

# Use Tax

- A 6% tax is imposed on the use of tangible personal property, specified digital products, and services in Iowa
- Use tax is generally due in two situations:
  - When a retailer should have collected sales tax and did not, the purchaser owes use tax
  - Certain transactions are exempt from sales tax but subject to use tax
    - i.e. airplanes
- Almost all sales tax exemptions apply to use tax
- Use tax may be:
  - collected by the retailer and remitted to the state (retailer's use)
  - remitted to the state directly by the purchaser (consumer's use)

# Paying Use Tax

- Businesses and individuals making taxable purchases on a regular basis should apply for a consumer's use tax permit.
- Businesses with a sales tax permit can report purchases subject to consumer's use tax on line 2, Goods Consumed, of the quarterly sales tax return.
- There are two additional options for occasional payment of consumer's use tax:
  - eFile & Pay – you can pay consumer's use tax electronically on our website, even if you don't have a sales tax or consumer's use tax permit
  - Consumer's Use Tax Worksheet – a fillable online worksheet to report consumer's use tax and mail with a check



# Filing Information

# Filing Frequency

- Semi-monthly (electronic payment required)
  - More than \$60,000 tax a year (more than \$5,000 per month; more than \$2,500 semi-monthly)
  - Required to file deposits twice each month electronically
    - 1st deposit - for the period from the 1st through the 15th; due on the 25th of that month
    - 2nd deposit - 16th through the end of the month; due on or before the 10th day of the following month
    - A deposit is not required for the final (6th) semi-monthly period of each quarter
  - Also file the quarterly return
  - Return and last (6th) deposit of quarter - due by the last day of the month following each calendar quarter

# Filing Frequency

- Monthly
  - More than \$6,000 but less than \$60,000 tax per year (\$500 - \$5,000 per month)
  - File deposits for each of the first two months of the calendar quarter
  - Due by the 20th of the following month
  - No monthly deposit for the third month of the quarter
  - For the third month, file the quarterly return with the payment for the balance of tax due for that quarter.
  - Due by the last day of the month following each calendar quarter

# Filing Frequency

- Quarterly
  - More than \$120 but less than \$6,000 tax per year (\$30 - \$1,500 per quarter; \$10 - \$500 per month)
  - File a quarterly return for each calendar quarter
  - Return and payment due by the last day of the month following each calendar quarter
- Annually
  - Less than \$120 tax a year
  - File one return for the calendar year
  - Return and payment due no later than January 31 following each calendar year



# Filing Returns & Making Payments

- Iowa Sales & Use tax returns are filed electronically through eFile & Pay
- You will always need your BEN, User ID, and Password



# Reminders

# Reminders

- Statute of Limitations is 3 years
- Tax permits do not need to be posted
- Iowa has no “exempt numbers”
- Permits are not a license to buy exempt
- Exemption Certificates can be found on the Department’s website

# Subscribe to Updates



-  [Where's My Refund?](#)
-  [Business Permit Registration](#)
-  [File & Pay](#)
-  [Where's My Rent Reimbursement?](#)

-  [Sales Tax Lookup](#)
-  [Tax Research Library](#)
-  [Tax Publications](#)
-  [Property Assessment Appeal Board](#)

-  [EasyPay Iowa](#)
-  [Tax Forms Index](#)
-  [Webinars](#)
-  [Subscribe to Updates](#)



# Subscribing



## Email Updates

To sign up for updates or to access your subscriber preferences, please enter your contact information below.

Subscription Type

Email

Email Address \*

SUBMIT

CANCEL

## Topics Include:

- Newsroom
- Tax Information
- eFile & Pay
- Due Date Reminders
- Electronic Filing
- Economic, Fiscal, and Statistical Information

# Contact Us

## Taxpayer Services:

- Phone: 800-367-3388 or 515-281-3114
- Email: [idr@iowa.gov](mailto:idr@iowa.gov)

# Social Media



@IDRBusinessTax

@IDRIncomeTax

@IDRTaxPros

The Facebook logo, consisting of the word "facebook" in a white, lowercase, sans-serif font, centered within a dark blue rectangular background.

facebook

Iowa Department  
of Revenue

# Purpose of this Presentation

This presentation is intended for general educational purposes only.

Anyone involved in an audit or protest must contact the Department representative they are working with on that issue.



Iowa Department of  
**REVENUE**

**Thank you!**