



Out-of-State Sellers

July 10, 2019 | Tim Reilly

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Senate File 2417

- On May 30, 2018, Governor Kim Reynolds signed Senate File 2417, which modernized and expanded the types of businesses required to collect Iowa sales tax and local option sales tax. The legislature in 2019 made some minor changes to those requirements.
- As of July 1, 2019, marketplace facilitators and remote sellers that exceed a certain amount of revenue from sales into Iowa must charge Iowa sales tax, including applicable local option sales tax, just like retailers with physical presence in Iowa.

Remote Sellers

- Generally, a remote seller is someone that makes sales of tangible personal property, taxable services, or specified digital products into Iowa, but does not have physical presence in Iowa. A remote seller may make sales into Iowa in a variety of ways including by phone, catalog, or website.

Collection Threshold

- Remote sellers and marketplace facilitators must collect Iowa sales tax if they have \$100,000 or more in gross revenue from Iowa sales in a current or prior calendar year.
 - “Gross revenue” means all revenue from Iowa sales.
 - “Iowa sales” means all retail sales, including taxable or exempt, wholesale, or sale for resale.
- This does **not** apply to retailers with a physical presence in Iowa.
- Sellers that make Iowa sales only on a marketplace may not need to collect and remit Iowa sales tax.

Meeting the Threshold

- Sellers must register to collect if they meet the threshold in a **current or prior calendar year**.
 - If a remote seller met the threshold in 2018, it must collect at least through December 31, 2019.
 - If a remote seller meets the threshold for the first time mid-2019, it must begin collecting starting on the first day of the next calendar month that starts at least 30 days from the day it first exceeded the sales threshold.

Meeting the Threshold

- **EXAMPLE:** Company S, a remote seller, did not exceed the sales threshold in 2018. On September 15, 2019, S exceeds the sales threshold for the first time. S must register to collect Iowa sales tax and must begin collecting Iowa sales tax on November 1, 2019. S must continue to collect through at least December 31, 2020. S's sales volume in 2020 and later years will determine whether S must collect Iowa sales tax after December 31, 2020.

Marketplace Facilitators

- A marketplace facilitator generally includes businesses that facilitate retail sales by:
 - Providing infrastructure (i.e., listing the product on the marketplace, communicating offer or acceptance of a retail sale, providing the physical or electronic marketplace, etc.) or support (i.e., customer service, fulfillment or storage services, etc.) for retail sales to occur; and
 - Collecting the sales price, processing payments, or receiving compensation from the retail sale.
- Marketplace facilitators may include consignment stores, auctions, and online marketplaces.

Sellers Using Marketplace Facilitators

- If a marketplace seller only makes retail sales in Iowa through a marketplace and the marketplace facilitator collects Iowa sales tax and applicable local option sales tax, the marketplace seller does not need to obtain an Iowa sales tax permit or file Iowa sales tax returns.
- Iowa sales tax will be reported and paid on a sales tax return filed by the marketplace facilitator.

Sellers Using Marketplace Facilitators

- If a marketplace facilitator did not meet the sales threshold, the marketplace seller must collect Iowa sales tax and applicable local option sales tax on retail sales made on the marketplace.
- Marketplace sellers should contact the marketplaces to determine when the marketplace will begin collecting Iowa sales tax and applicable local option sales tax.

Sellers Using Marketplace Facilitators with Non-Marketplace Sales

- If a remote seller makes marketplace and non-marketplace (e.g. the remote seller's own website) sales into Iowa, the remote seller must add the total gross revenue from marketplace and non-marketplace sales to determine whether the seller meets the threshold and must collect Iowa sales tax and applicable local option sales tax on non-marketplace sales.

Sellers with Physical Presence in Iowa

- A retailer with a physical presence in Iowa that makes marketplace and non-marketplace (e.g. the seller's own store or website) Iowa sales must collect Iowa sales tax and applicable local option sales tax on non-marketplace sales regardless of the seller's gross revenue.

Permits

- The following types of businesses must get an Iowa retail sales tax permit and file sales tax returns:
 - Retailers with a physical presence in Iowa
 - Remote sellers that have \$100,000 in gross revenue from Iowa sales
 - Marketplace facilitators that make or facilitate \$100,000 or more in Iowa sales

Permits

- A business does not need to get an Iowa sales tax permit or file Iowa sales tax returns if the business does not make any **taxable** retail sales.
 - If these businesses begin making taxable retail sales in Iowa, they must collect sales tax and applicable local option sales tax, get an Iowa sales tax permit, and begin filing Iowa sales tax returns.

Local Option Sales Tax

- 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.

Retailer's Use Tax

- 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.
- Remote sellers and marketplace facilitators who do not meet the sales threshold may use a retailer's use tax permit.
- If you have a Retailer's Use Tax permit but SF 2417 requires you to collect sales tax, you should cancel that permit and apply for a new Retail Sales Tax permit.

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