



Iowa Department of **REVENUE**

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IOWA SALES TAX FAQs

Iowa's state sales tax rate was 5% through June 30, 2008.

Beginning July 1, 2008, it is 6%.

The school local option tax no longer exists as a separate tax. The "regular" local option tax continues.

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1. What is the Sales Tax Holiday?

Tax is not due on the sale or use of certain articles of clothing or footwear if the sales price of the article is less than \$100.00 and the sale takes place during a period beginning at 12:01 a.m. on the first Friday in August and ending at 12:00 midnight of the following Saturday.

Eligible purchases of clothing and footwear are exempt from local option sales tax as well as Iowa state sales tax.

Clothing means any article of wearing apparel and typical footwear intended to be worn on or about the human body.

Clothing does not include watches, watchbands, jewelry, umbrellas, sporting equipment, and any special clothing or footwear designed primarily for athletic activity or protective use and not usually considered appropriate for everyday wear.

A manufacturer's coupon does not reduce the sales price of an item. Therefore, a manufacturer's coupon cannot be used to reduce the selling price of an item to less than \$100.00 in order to qualify for the exemption. However, store coupons and discounts reduce the sales price of an item. Therefore, a store coupon or discount can be used to reduce the sales price of an item to less than \$100.00 in order to qualify for the exemption.

For more detailed information or for additional information on gift certificates, rain checks, layaway sales, rentals, mail order sales, and more, please go to our [Sales Tax Holiday page](#).

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2. Are machinery, equipment, and computers exempt from sales tax?

Check out our publication written especially for [manufacturers](#).

To find out if computers are exempt, go to our [computers](#) booklet.

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3. Do contractors pay Iowa sales tax?

A contractor is considered to be the consumer of building materials and supplies purchased for use in a construction contract, and is, therefore, responsible for paying sales tax at the time the purchases are made, or use tax if the purchases were made tax free.

Suppliers that sell to building contractors must charge sales tax on the purchase price of the items. Suppliers should not usually accept sales tax exemption certificates from contractors. Contractors are not allowed to make purchases for resale merely because they have a sales tax permit number.

However, designated exempt entities awarding construction contracts may issue special exemption certificates to contractors and subcontractors, allowing them to purchase, or withdraw from inventory, materials for the contract free from sales tax. See the local government portal for more construction contract registration information.

In some cases, a contractor may sell supplies and materials over the counter. This contractor is referred to as a contractor-retailer and may purchase supplies and materials tax free. The contractor-retailer provides the supplier with a valid sales tax exemption certificate. The contractor-retailer then charges customers sales tax when the items are resold at retail. If the contractor-retailer takes items from inventory for use on a contract, the cost of those materials will be reported as "goods consumed" on the sales tax return and tax is paid at that time.

Suppliers that sell to owners who are building their own structures must charge sales tax on the selling price of the materials, supplies, and equipment. Owners are considered final consumers and their purchases are taxable.

Labor is not subject to sales and use tax if performed on or in connection with new construction, reconstruction, alteration, expansion, or remodeling of a building or structure.

More information is available in our [contractors](#) publication.

Instead of the 6% state sales/use tax (and local option tax where applicable), a 5% state excise tax applies to purchases of certain construction equipment. See [State Excise Tax on Certain Construction Equipment](#) for more details.

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4. Are churches and nonprofit organizations exempt from tax?

Nonprofit entities, churches, and religious organizations are not automatically exempt from paying state sales taxes on taxable goods and services. This is true even if these entities are exempt from the payment of state and federal income taxes. State sales tax must be paid unless some other general sales tax exemption applies. Local option sales tax must also be paid on purchases made in jurisdictions which impose the tax.

Purchases made for resale are exempt from all sales tax.

In other words, a nonprofit corporation, church, or other religious organization is treated the same as any other private citizen for sales and use tax purposes when purchasing goods and taxable services at retail.

However, sales of items to any Iowa private nonprofit educational institution used for educational purposes are exempt. Sales from fund-raising activities are exempt from sales tax to the extent that the proceeds are used for educational, religious, or charitable purposes. However, the gross receipts from games of skill, games of chance, raffles, and bingo are always subject to sales tax.

More information is available in our publication for [nonprofit entities](#).

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5. What should I do if I don't receive my sales tax return?

Iowa sales tax is filed and remitted electronically through [eFile & Pay](#). The Department does not mail returns.

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6. How often do I file a sales tax return?

The Department determines how often sales tax returns are due based on the estimated amount of sales tax collection that the retailer entered on the permit application.

See our [filing status information](#).

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7. How do I apply for a tax permit?

Anyone making a retail sale in Iowa must obtain a sales or use tax permit from the Iowa Department of Revenue. Selling without a permit is a serious misdemeanor. The permit is available at no charge. You can [apply for your Iowa permit online](#).

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8. How do I obtain a temporary sales tax permit?

Sponsors of flea markets, craft shows, antique shows, and other temporary events must verify that the exhibitors are licensed to collect sales tax. Sponsors must obtain an Iowa sales tax permit number or a written good faith statement from each vendor. Sponsors may be responsible for sales tax not collected by the vendors if they do not obtain the proper information from vendors.

[Special events \(temporary sales tax permit\) application](#) (for sponsors only)

Sponsors of special events are responsible for notifying the Department of the event and providing a list of the vendors to the Department.

Exhibitors may obtain temporary permits if they are not in business regularly. To obtain a temporary permit, call 515-725-0259.

Vendors that have regular sales tax permits may remit the sales tax and any local option tax collected under their regular number and on their usual sales tax return.

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9. Do farmers pay sales tax on the purchases they make?

Certain purchases by farmers may be exempt from the Iowa sales and/or use tax. If you claim exemption on any purchase, you must be able to show that you are entitled to it by providing a valid exemption certificate to the seller of the property. A separately completed exemption certificate is not necessary for each similar exempt purchase; if the retailer chooses, a "blanket exemption certificate" on file with a given retailer is sufficient. The [exemption certificate](#) (pdf) may be obtained on this site.

Machinery and equipment

Generally, self-propelled implements, implements customarily drawn or attached to a self-propelled implement, or grain dryers used directly and primarily in agricultural production and not subject to registration as a vehicle are exempt.

Also exempt are auxiliary attachments which improve the performance, safety, operation, or efficiency of the farm machinery or equipment.

Certain purchases of non-self-propelled machinery or equipment are exempt from the Iowa sales tax if they are used directly and primarily in dairy or livestock production.

Vehicles

A 5% one-time registration fee is imposed on the purchase prices of vehicles subject to registration and on any implement customarily drawn by or attached to a registered vehicle. This includes camping trailers and livestock trailers.

Farm tractors, combines, and other such vehicles are exempt because they meet all three of the following requirements: they are used directly and primarily in agricultural production, they are self-propelled, and they are not subject to registration.

Real property

The purchase of machinery and equipment which will become real property after installation (that is, a substantially permanent part of the farm property) is usually taxable. In general, machinery or equipment is real property if its removal after installation is difficult or if removal substantially lessens the value of the machinery or the location where it was placed.

Exceptions to this general rule exist for certain items. For example, drainage tile is exempt from tax.

Also exempt for livestock or dairy production, aquaculture production, or the production of flowering, ornamental, or vegetable plants are:

- Auger systems
- Curtains and curtain systems
- Drip systems
- Fans and fan systems
- Shutters
- Inlets and shutter or inlet systems
- Refrigerators

Parts and supplies

Replacement parts used in the operation of eligible farm machinery or equipment are exempt from sales tax.

Oil filters, spark plugs, gas filters, and tires are examples of exempt replacement parts.

Do not confuse replacement parts with supplies, most of which are taxable.

Oil and grease used in the routine maintenance of a tractor, for example, are not considered parts; they are

considered supplies. They are taxable.

For more information, go to our [farmers guide](#).

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10. Will I be charged penalty and interest if I don't file on time?

A penalty of 10% will be added to the tax due if the return is not filed by the due date and at least 90% of the correct tax is not paid by the due date.

If the return is filed timely and the tax is not remitted, a penalty of 5% will be added to the tax due if at least 90 percent of the correct tax is not paid by the due date.

The [interest rate](#) may change yearly. Interest must be added to delinquent tax at a per month rate, beginning on the due date of the return and accruing each month until you make full payment of all tax, penalty, and interest due.

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11. What is the 'regular' local option sales tax (LOST)?

Through June 30, 2008, Iowa's state sales tax rate was 5%.

Beginning July 1, 2008, the state rate is 6%.

Local option tax is in addition to the state rate.

Local option sales tax has been adopted in most cities and unincorporated areas in Iowa. Local option sales tax is imposed on the gross receipts from sales of tangible personal property. Tax applies if "delivery" of the tangible personal property occurs within a local option sales tax jurisdiction.

Local option sales tax is imposed on a taxable service if the first use of the service occurs, or potentially could occur, within a local option sales tax jurisdiction.

Out-of-state retailers with a physical presence or nexus in Iowa who make deliveries into Iowa must collect Iowa sales tax. If these deliveries occur in a local option jurisdiction, local option sales tax also applies.

[Local Option Q&A](#)

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12. Which services are taxable in Iowa?

Many services are taxable. Persons performing these services at retail must charge Iowa sales tax.

See our list of [taxable services](#).

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13. Are sales of tangible personal property always taxable?

Yes, unless a specific exemption has been written into the law.

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14. Does the Department provide tax help?

Contact Taxpayer Services Monday-Friday, 8 am to 4:15 pm CT at 1-800-367-3388 (Iowa, Omaha, Rock Island, Moline) or 515-281-3114 or email idr@iowa.gov.

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16. What do I do if I don't receive my payment vouchers?

You may print your payment voucher directly from the eFile & Pay system. Your computer must have Internet Explorer version 5.5 or newer and Acrobat Reader version 6.0.1 or newer.

You may also call us at 515-281-3363 or [Email the Department](#). Please be sure to provide the tax I.D. number, business name and address, tax period, your Business eFile Number, your name and telephone number, and other pertinent information.

Payment vouchers are not available on the Tax Fax system or on the Website.

Payment vouchers are NOT tax returns.

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17. Are Department employees required to abide by any confidentiality laws?

Yes. Please refer to this [confidentiality statement](#) for more details.

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