

IOWA SALES TAX

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DISCLAIMER

Please be advised that the information in this presentation is an informal opinion and is only applicable to the factual situation referenced and to the statutes in existence at the time of issuance.

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



TAX RATE

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

NEXUS

Q: What is nexus?

A: The connection between a seller and the state that requires the seller to register then collect and remit sales tax in a state.

- » 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
- 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
- » Marketplace facilitators that make or facilitate \$100,000 or more of gross revenue from Iowa sales
- » The sales threshold does not apply to sellers with physical presence in Iowa. A seller, marketplace facilitator, or other retailer with physical presence in Iowa must collect and remit Iowa sales tax and LOST even if the \$100,000 threshold has not been met.



ECONOMIC NEXUS (CONT.)

Exceeding the \$100,000 threshold

- Once a remote seller or marketplace facilitator exceeds the \$100,000 during a calendar year, they must collect sales and LOST on the first day of the next calendar month that starts at least 30 days from the day they first exceed the sales threshold. Tax must continue to be collected through the end of that calendar year and through the entire next calendar year.

Example: A remote seller did not exceed the sales threshold in 2019. On September 14, 2020, they exceed the threshold for the first time. They must register to collect Iowa sales tax and begin collecting on November 1, 2020. They must continue to collect through at least December 31, 2021. Sales volume in 2021 and later years will determine whether they must collect and remit after December 31, 2021.

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)

MARKETPLACE FACILITATORS

What is a marketplace facilitator?

- Provides infrastructure (listing the product on the marketplace, communicating offer or acceptance of a sale, providing the physical or electronic marketplace) or support (customer service, fulfillment of storage services) for retail sales to occur; and
- Collects the sales price, processes payments, or receives compensation from the sale

Marketplace Facilitators (cont)

Who collects and remits Iowa sales tax on marketplace sales?

- The \$100,000 sales threshold applies to marketplace facilitators also
- The Iowa sales volume of the marketplace seller itself does not matter

Example: Marketplace M is a marketplace facilitator that collects Iowa sales tax and applicable local option sales tax on Iowa sales facilitated through M's marketplace. Seller S lists soccer balls for sale on M's marketplace. A purchaser in Iowa buys a soccer ball listed by S on M's marketplace. The soccer ball is delivered to the purchaser's home address in Iowa. M must collect Iowa sales tax and applicable local option sales tax on the sale of the soccer ball. The outcome is the same regardless of whether S is located in Iowa and regardless of S's Iowa sales volume.

Marketplace Facilitators (cont)

Sellers that only make Iowa sales through a marketplace that collects Iowa sales tax:

- If a marketplace seller only makes retail sales in Iowa through a marketplace and the marketplace facilitator collects Iowa 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.

Marketplace Facilitators (cont)

Sellers located outside of Iowa that make both marketplace and non-marketplace Iowa sales:

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

Example: Seller B has \$400,000 in gross revenue from Iowa sales. Seller B makes \$325,000 of these sales through a marketplace facilitator that collects Iowa sales tax and applicable local option sales tax. The remaining \$75,000 in gross revenue comes from sales made through Seller B's website. Seller B must collect and remit Iowa sales tax and applicable local option sales tax on the \$75,000 in sales made through Seller B's website. On its Iowa sales tax return, Seller B should report \$400,000 in gross sales, but Seller B may take a deduction of \$325,000 for sales on which the marketplace collected Iowa sales tax and applicable local option sales tax.

Marketplace Facilitators (cont)

Marketplace sales by a retailer with a physical presence in Iowa:

Retailers with physical presence in Iowa that make both marketplace and non-marketplace (the seller's own store, website, or catalog) Iowa sales must collect Iowa tax regardless of the gross revenue. The small remote seller exception does not apply to sellers with a physical presence in Iowa.

Example: Seller C is an Iowa-based business, with property and personnel located in Iowa. Seller C has \$80,000 in gross revenue from Iowa sales. Seller C makes \$10,000 of gross revenue from Iowa sales through a marketplace facilitator that collects Iowa sales tax and applicable local option sales tax. The remaining \$70,000 in gross revenue comes from Iowa sales made directly through Seller C from its physical location in Iowa. Seller C must collect and remit Iowa sales tax and applicable local option sales tax on the \$70,000 in non-marketplace sales. On its Iowa sales tax return, Seller C should report \$80,000 in gross sales. Seller C may take a deduction of \$10,000 for sales on which the marketplace collected Iowa sales tax and applicable local option sales tax

SHIPPING OUT OF STATE

Iowa retailers shipping products out of state will not collect and remit Iowa sales tax on the sale. The Iowa retailer will want to research the laws in the other state to determine whether they have an obligation to collect the other state's tax.

All sales should be reported on line 1 of the Iowa sales tax return, and then an exemption for any sales shipped out of state should be claimed as an Exemption for Interstate Commerce.



IOWA TAX PERMITS

» Applications for all permits are on the Department's website:

<https://tax.iowa.gov/businesses/business-permit-registration>

- » It is illegal to make taxable sales without a permit
- » Each retail location must have its own permit
- » Once issued, a permit is effective until it is canceled by the retailer or revoked by the Department

SALES TAX

Sales tax must be collected when a sale is sourced to Iowa:

- » If the 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 at:
<https://tax.iowa.gov/iowa-local-option-tax-information>

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)
- » 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 FREQUENCIES

Filing frequency is based on the amount of tax expected to be remitted:

Annually

- » Less than \$120 tax per year
- » One return filed for the calendar year
- » Return and payment due on or before January 31 following each calendar year

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 on or before the last day of the month following each calendar quarter

FILING FREQUENCIES (CONT.)

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 which are due on or before the 20th of the following month
- » No monthly deposit for the third month of the quarter. Instead file the quarterly return with the payment for the balance of tax due for that quarter, due on or before the last day of the month following each calendar quarter.

Semi-Monthly

- » More than \$60,000 tax per year (more than \$5,000 per month; more than \$2,500 semi-monthly)
- » File deposits twice each month electronically
 - » 1st deposit- for the period from the 1st through the 15th; due on or before 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 on or before the last day of the month following each calendar quarter

NOTE: The first semi-monthly deposit for the following quarter is due before the final (6th) deposit for the preceding quarter

FILING RETURNS & MAKING PAYMENTS

- » Iowa Sales & Use Tax returns are filed electronically through eFile & Pay
- » You will always need your Business eFile Number (BEN), User ID, and Password

Iowa Department of REVENUE

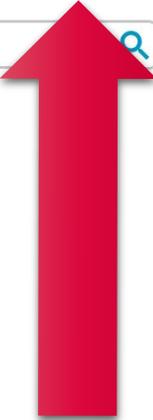
I Am... ▾

I Need To... ▾

Tax Forms ▾

Resources ▾

Need Help? ▾



Welcome to the Iowa Department of Revenue

The mission of the Iowa Department of Revenue is to serve Iowans and support state government by collecting all taxes required by law, but no more.



Sales Tax Holiday

Upcoming Tax Webinars

IDR and COVID-19

Filing Extension Announcement



EasyPay Iowa



Where's My Refund?



Where's My Rent Reimbursement?



Tax Publications



Sales Tax Lookup



Property Assessment Appeal Board

LOGGING IN



Iowa Department of
REVENUE

[FAQs](#) | [Help](#) | [IDR Home](#)

Welcome >

All error and informational messages will display at the top of the screen, below the title.

Login

Business Taxes:

Enter your BEN, select Business Taxes, and press CONTINUE.

Business eFile Number (BEN): (8 digit number mailed to you)

Business Taxes (Withholding, Sales, Use, Excise, LPG Fuel, and Motor Fuel)

**Individual Income/Corporation Income/
Consumer's Use (no permit) ePayments:**

Not enrolled? [Click here.](#)

Enrolled? Enter your BEN, select Individual Income/Corporation Income ePayments, and press CONTINUE.

Business eFile Number (BEN): (8 digit number mailed to you)

Individual Income/Corporation Income ePayments
(IA1040/IA1040ES;IA1120/IA1120ES)

CONTINUE



Iowa Department of
REVENUE

[FAQs](#) | [Help](#) | [IDR Home](#)

Business eFile Number: **88776947** Legal Name: **LEGALNM-6626**

Log In >

Please enter your User ID and Password, then press LOG IN. If you accessed eFile & Pay system by telephone for the first-time, before you used the web, please enter your 8 digit telephone password to gain access.

User Authentication

Business eFile Number: **88776947**

Legal Name: **LEGALNM-6626**

Enter User ID:

Enter Web Password:

EXIT **LOG IN**

[Forgot Web User ID?](#) [Forgot Password?](#)

UPDATING ACCOUNT INFORMATION





CHANGING A PERMIT

If a business has any of the following changes, the Iowa Department of Revenue needs to be notified:

- » **Business Name**
- » **Physical Location**
- » **Mailing Address**
- » **Corporate Officers, Partners, or Responsible Party Change**
- » **Request a change in filing frequency**
- » **Reinstate a permit that has not been revoked**

CHANGING A PERMIT

Visit the **Business Permit Registration** page by selecting **I Need To... Change** or **Cancel a Permit**

The screenshot shows the Iowa Department of Revenue website. The header includes the logo, navigation links for 'I Am...', 'I Need To...', 'Tax Forms', 'Resources', and 'Need Help?', and a search bar. The 'I Need To...' dropdown menu is open, listing various services. A red arrow points to the 'Change or Cancel a Permit' option. Below the menu is a banner for 'Welcome to the Iowa Department of Revenue' and a row of featured topics. The footer contains six quick links with icons.

Iowa Department of REVENUE

News **eFile & Pay**

I Am... I Need To... Tax Forms Resources Need Help? ENHANCED BY Google

- File My Taxes
- Track My Return
- Track or File Rent Reimbursement
- Make a Payment
- Apply for a Permit
- Change or Cancel a Permit**
- Learn About Property Tax
- Learn About Sales & Use Tax
- File an Appeal
- Request Tax Guidance

Welcome to the Iowa Department of Revenue

The mission of the Iowa Department of Revenue is to serve Iowans and support state government by collecting all taxes required by law, but no more.

Sales Tax Holiday Upcoming Tax Webinars IDR and COVID-19 Filing Extension Announcement

EasyPay Iowa Where's My Refund? Where's My Rent Reimbursement? Tax Publications Sales Tax Lookup Property Assessment Appeal Board

CHANGING A PERMIT

And select
Change a Permit

Permit Registration Overview

Your business must register for a separate permit number for the following tax types:

- Sales Tax
 - Automobile Rental Tax
 - Hotel/Motel Tax
- Consumer's Use Tax
- Retailer's Use Tax
- Withholding Tax
- Water Service Excise Tax

After you have completed your registration request, retain a copy for your records. You may begin to collect tax immediately; your copy will serve as the proof of registration until you receive your permit number. You will receive a letter containing your Business eFile Number (BEN), your permit number and instructions on how to file and remit taxes. Please allow up to 6 weeks from the time you submit your application to receive your documents in the mail.

Request a Copy

You can request a copy of your permit and Business eFile (BEN) Letter by completing form 92-035 available within the [Tax Forms Index](#).

[Online Permit Business Registration](#)



[Change a Permit](#)



[Cancel a Permit](#)





CANCELLING A PERMIT

- » A permit is effective until it is cancelled by the owner or revoked by the Department.
- » If a business is being closed, all active permits must be cancelled.

CANCELLING A PERMIT



Iowa Department of
REVENUE

Search...

Revenue Home

Business Change / Cancellation Form [Contact Us](#)

Returning User?
[Log In](#) to retrieve your incomplete application. Contact [Taxpayer Services](#) if you have forgotten your Business Change Form User ID and Pin.

Welcome to the State of Iowa online Business Change and Cancellation Form. After reading these instructions carefully, click the "Start" button at the bottom of this page to begin.

Web Browser Requirements

✔ Your current browser meets the required minimum configuration.

The Form may be used to change details for: [?](#)

- Sales Tax Permit
- Retailer's Use Tax Permit (Out of State)
- Consumer's Use Tax Permit
- Withholding Tax Permit
- Fuel Tax Permit
- Water Service Excise Tax Permit

Changes allowed:

- Status of the permit (Cancel or reinstate)
- Filing Frequency
- Doing Business As Name and/or Ownership
- Location Address
- Mailing Address
- Officer(s), Partner(s), or Responsible Parties

[IDR Home](#) [Start](#)

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Iowa Department of
REVENUE

Iowa Business Tax Cancellation
Request for Cancellation of Tax Permit
<https://tax.iowa.gov> **page 2**

Complete this form to cancel your business's tax permit. To cancel any state-issued license or permit relating to cigarette, tobacco, alternative nicotine, or vapor products, email ldrcigarette@iowa.gov. You may also cancel a permit online, at <https://tax.iowa.gov>. Complete both sides.

address

Legal Name: _____

Doing Business As: _____

Provide a social security number if the business is registered as a sole proprietor or single member LLC. Provide a Federal Employer Identification Number for all other business types.

Social Security Number: _____

Federal Employer Identification Number: _____

Address: _____ **this form,**

City: _____ State: _____ ZIP: _____

Phone: _____

List All Permit(s) to be Canceled. Include additional sheets if necessary.

Sales Tax Permit: _____

Check here if canceling Automobile Rental, Hotel/Motel, or Household Hazardous Materials, but the sales tax permit is to remain active.

Automobile Rental Hotel/Motel Household Hazardous Materials

Consumer's Use Tax Permit: _____

Retailer's Use Tax Permit: _____

Water Service Excise Tax Permit: _____

Withholding Tax Permit: _____

Fuel Tax Permit: _____

Effective Date (last date of business activity): ____ / ____ / ____

Reason for Cancellation:

For Office Use Only: _____

92-034a (02/13/20) *1992014019999*

92-034b (05/22/19) *1992014029999*

POWER OF ATTORNEY

If you plan to use a third party such as an accountant or attorney to assist with your business, complete an Iowa Power of Attorney form at the time you apply for your tax permit(s).

The Department will not disclose confidential information to anyone other than those individual listed as responsible parties on the Business Tax Registration Form without a valid Power of Attorney on file.

SUBSCRIBE TO UPDATES

the Governor's Economic Recovery Advisory Board will meet from 10 a.m. to noon on Wednesday, July 22. The public is invited to attend.

[Read More](#)

Senate File 2417, a state tax reform bill that included extensive changes to the state's tax structure. The Department has released updated guidance to explain the following tax change:

[Read More](#)

submitted a proposed rule to the Iowa Legislature. It is available for public comment through August 4, 2020, see individual notices below for details. Additionally, two proposed rules were previously submitted to the Iowa Legislature and have been adopted and filed, effective August 19, 2020.

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Topics Include:

» Newsroom

» Tax Information

» eFile & Pay

» Due Date Reminders

» Electronic Filing

» Economic, Fiscal, and Statistical Information

Questions?

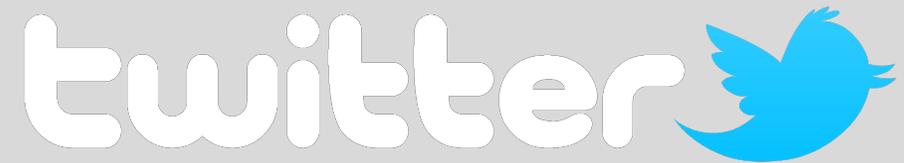
Lisa Casper
SBDC Business Tax Counselor
Email: sbdcrevenue@iastate.edu

CONTACT IOWA DEPARTMENT OF REVENUE

Taxpayer Services

Phone: 800-367-3388 or 515-281-3114

Email: idr@iowa.gov



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