



TO: Vendors of the State of Iowa

FROM: Victoria L. Daniels, Division Administrator, Tax Policy & Communications

DATE: December 8, 2011

RE: Taxable Charges

We have received inquiries about whether state agencies are required to pay certain charges and taxes imposed on billings they receive. This memo is issued to clarify the taxes and charges that the state of Iowa and its agencies are required to pay and those that should not be imposed on billings to the State and its agencies.

NONPAYABLE CHARGES:

The following is a listing of the most common incidental charges and taxes associated with sales of services to state agencies. These charges or taxes are related to sales, use, or federal excise taxes. State agencies do not have to pay these charges or taxes. In addition, for ease of administration and efficiency, these charges should not appear on billings to state agencies:

- Sales Tax
- Use Tax
- Local Option Sales Tax
- Federal Excise Taxes

Except for taxes imposed under Internal Revenue Code sections 4121 for coal, section 4081 for gasoline, section 4091 for lubricating oil, section 4064 for gas guzzler, section 4051 for heavy trucks and trailers, section 4071 for rubber tires, and section 4131 for vaccines.

- State Sales, Use and Local Taxes Imposed on 911 Charges
- State Sales, Use and Local Option -Taxes on Cellular Phone Roaming Charges

PAYABLE CHARGES:

The following is a list of common incidental charges and taxes associated with sales and services to state agencies that the state does pay. State agencies pay these charges because they are not considered to be state sales, use, or federal excise taxes. Rather, state agencies pay these items because they are considered to be the vendor's cost of doing business with the vendors simply passing along these charges to their customers that are state agencies.

- Property tax allotment
- Cellular Phone Roaming Charges
- Flat Tax
- Federal Lust Tax

- Personal Property Surcharge
- Tonnage Tax
- Ground Water Tax
- Tool and Chemical Tax
- Labor Tax
- Portability Surcharge
- Universal Service Fund Charge
- FCC Late Fee
- 911 Surcharge
- Gross Receipts Tax (GRS)
- 9% Federal Aviation Excise Tax (for large planes)
- Infrastructure Fee (not school infrastructures)
- Ethanol and Other Gas Taxes (payment of the tax is made at the initial level of distribution and the end user may apply for a refund)

On behalf of the State of Iowa I thank you for your time and cooperation on this issue. Compliance with this memo will assist the Department of Administrative Services in processing and paying your billings. If you have any tax policy questions on items in this memo, feel free to contact our Taxpayer Services Section at 515-281-3114 and we will be happy to assist.