



September 7, 2012

Scott Peterson
Executive Director
Streamlined Sales Tax Governing Board
4219 Hillsboro Pike, Suite 234
Nashville, TN 37215

Dear Scott:

This letter is in response to the August 17, 2012 preliminary report regarding Iowa's compliance with the Streamlined Sales and Use Tax Agreement.

1. **Issue:** The following citations need to be added or changed on the Taxability Matrix: Value of trade-in – change 423.1(51) to 423.1(59); State, Local and Tribal Taxes – add 423.1(51).

Response: Value of trade-in: Pursuant to discussions with Pam Cook, we have changed the statutory citation in the matrix to 2012 Iowa Code Supplement § 423.3(59) which most accurately describes the value and treatment of a trade-in. We have also added a citation to 701 IAC 701-212.5, "Trade-ins," to provide additional clarity. The State, Local and Tribal Tax language change was made in the 2012 Legislative Session. The actual change will not appear in statute until the 2013 version of the Iowa Code is available. At that time the citation will be 423.1(51), "sales price." As such, we are leaving the reference to 2012 Iowa Acts House File 2166 and adding a statement regarding the 2013 Iowa Code citation to the Taxability Matrix.

2. **Issue:** Grooming and hygiene products on the taxability matrix – the statute does not define over-the-counter drugs or grooming and hygiene products. The Agreement defines over-the-counter drugs to include grooming and hygiene products that meet the definition of over-the-counter drugs unless specifically excluded. The statute exempts drugs, which include over-the-counter drugs, with a prescription. The taxability matrix shows grooming and hygiene products as taxable with no comment regarding those that meet the definition of over-the-counter drugs with a prescription.

Response: We have added a statement to the comment section indicating that grooming and hygiene products with a prescription are exempt. We believe this is implicit in the existing statutory definitions of “drug” (423.3(60)(a), 2012 Iowa Code) and “prescription drug” (423.3(60)(g), 2012 Iowa Code). Nevertheless, we will include clarifying definitional language in our 2013 Streamlined Sales Tax Bill.

- Issue:** The following additions/changes are needed on the Certificate of Compliance: Section 310.1, change the N/A to No; Section 313.1 – change the N/A to No; Section 318, paragraph C3c, add 423.31(8).

Response: We have made all of the suggested changes to our Certificate of Compliance.

We are submitting Iowa’s revised Taxability Matrix and Certificate of Compliance along with this letter. In summary, we believe we are in substantial compliance with the Streamlined Sales Tax Governing Board Agreement and look forward to another year of working together on our mutual goals.

As always, if you have any questions, do not hesitate to contact me at Victoria.daniels@iowa.gov or Larry Paxton at Larry.paxton@iowa.gov.

Very truly yours,

Victoria L. Daniels
Administrator, Policy & Communications Division