



September 26, 2014

Craig Johnson
Executive Director
Streamlined Sales Tax Governing Board, Inc.
100 Majestic Dr., Ste. 400
Westby, WI 54667

Dear Mr. Johnson:

This letter is in response to the August 29, 2014, initial report regarding Iowa's compliance with the Streamlined Sales and Use Tax Agreement.

Issue 1: Taxability Matrix

Issue: Food sold without eating utensils that ordinarily requires cooking prior to consumption is marked exempt. The citation given is the exclusion for food sold in an unheated state by weight or volume, which does not apply.

Response: Food that needs additional cooking is not taxable as "prepared food" under Iowa law. The Department of Revenue previously determined an uncooked pizza prepared by the store is tax-exempt and not prepared food. *Policy Letter; Food; July 16, 2004, available at <http://itrl.idr.iowa.gov/mx/hm.asp?id=04300082>*. The Department intends to introduce legislation in 2015 to clarify the issue.

Issue 2: Certificate of Compliance

Issue: Need to move the administrative code references from the notes column to the citation column.

Response: The Department agrees the administrative code references should be in the citation column. Once the review is complete, we will submit a new Certificate of Compliance with the requested change.

Issue 3: Changes to the Taxability Matrix

Issue: Section 328, question C.2., the state relieves sellers and CSPs from liability until the 1st day of the calendar quarter that is at least 30 days after notice of a change to the taxability matrix. Is this provision documented anywhere?

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Response: Iowa Code section 423.46 relieves sellers of liability if the State fails to provide notice of at least 30 days of a rate change. Iowa Code section 423.52 relieves sellers and CSPs of liability resulting from an incorrect database. The Department interprets section 423.52 as having the same notice requirement as section 423.46. The Department intends to introduce legislation in 2015 session to clarify the issue.

We believe our responses show we continue to be in substantial compliance with the Streamlined Sales Tax Governing Board Agreement. We look forward to another year of working together on our mutual goals.

If you have any questions, do not hesitate to contact me at Matt.bishop@iowa.gov or Victoria Daniels at Victoria.daniels@iowa.gov.

Sincerely,

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