



Iowa Department of Revenue

Director: Courtney
M. Kay-Decker
Hoover State Office
Building

July 31, 2011

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

RE: State of Iowa 2011 Recertification of Compliance

Dear Scott:

Pursuant to Section 803 of the Streamlined Sales and Use Tax Agreement (SSUTA), this letter is being sent to initiate the recertification process for the State of Iowa.

As you know, Iowa was not found to be out of compliance with the Agreement during the 2010 recertification process. However, the State of Iowa remains proactive in its efforts to maintain compliance with the Agreement. To that end, in its recently completed Legislative Session, the Iowa Legislature passed and Governor Terry Branstad signed 2011 Iowa Acts Senate File 515, which made the changes detailed below.

PLEASE NOTE: Because the Iowa Legislature did not adjourn until June 29, 2011, the online version of the Code has not been updated. You can find the enrolled version of 2011 Iowa Acts Senate File 515 online at the following URL:
<http://coolice.legis.state.ia.us/Cool-ICE/default.asp?category=billinfo&service=billbook&GA=84&hbill=SF515>

I have also attached a copy of the bill for your convenience.

Sections 1, 2, and 9

Sections 1, 2, and 9 of the bill amend Iowa Code §§ 423.1 and 423.19 to change definitions and sourcing language for direct mail to reflect recent changes to the Agreement. Iowa continues to exempt from tax shipping and handling on direct mail.

Sections 3, 4, 7, and 8

Sections 3, 4, 7, and 8 amend the definitions of “services” and “first use of a service” in Iowa Code § 423.1 and make corresponding changes to comply with the Governing Board’s recent adoption of sourcing rules for services.

Section 5

During Iowa's 2010 recertification review the business community expressed concern with Iowa Administrative Code 701-18.20(1)(d), which indicated that one-way paging was not taxable while two-way paging was. Because Iowa administratively taxes all paging services, and also because the Governing Board's formal position had not been articulated at the time we submitted Iowa's recertification petition, the Executive Committee determined that Iowa was not out of compliance with the Agreement.

Section 5 of 2011 Iowa Acts Senate File 515 clarifies Iowa Code § 423.2(9) to indicate that the tax on mobile telecommunications includes all paging services as follows:

A tax of six percent is imposed upon the sales price from any mobile telecommunications service ~~which~~, including all paging services, that this state is allowed to tax by pursuant to the provisions of the federal Mobile Telecommunications Sourcing Act, Pub. L. No. 106-252, 4 U.S.C. § 116 et seq. For purposes of this subsection , taxes on mobile telecommunications service, as defined under the federal Mobile Telecommunications Sourcing Act that are deemed to be provided by the customer's home service provider, shall be paid to the taxing jurisdiction whose territorial limits encompass the customer's place of primary use, regardless of where the mobile telecommunications service originates, terminates, or passes through and shall in all other respects be taxed in conformity with the federal Mobile Telecommunications Sourcing Act. All other provisions of the federal Mobile Telecommunications Sourcing Act are adopted by the state of Iowa and incorporated into this subsection by reference. With respect to mobile telecommunications service under the federal Mobile Telecommunications Sourcing Act, the director shall, if requested, enter into agreements consistent with the provisions of the federal Act

In addition, on July 22, 2011, the Department filed with the Iowa Administrative Code Office new Chapter 701 IAC 224, Telecommunication Services. This chapter is a revised version of 701 IAC 18.20. The new chapter, a copy of which is attached, does not contain the reference to the disparate tax treatment of one-way and two-way paging.

Section 6

Section 6 of the bill revises the definition of durable medical equipment in Iowa Code § 423.3(60) to include all attachments and replacement parts. Iowa

continues to exempt from the sales tax durable medical equipment meeting certain qualifications.

Sections 10 and 11

Sections 10 and 11 of the bill revise the payment due date language in Iowa Code § 423.60 to conform to the recent amendment to the Agreement concerning due dates.

The Certificate of Compliance for Iowa is enclosed. The Department has also completed the revised Taxability Matrix. The matrix will be posted on our website effective August 1, 2011.

If you have any questions, please contact Victoria Daniels or myself.

Very truly yours,

A handwritten signature in black ink, appearing to read "Courtney Kay-Decker". The signature is written in a cursive style with a long horizontal flourish at the end.

Courtney M. Kay-Decker

Director