

**Appendix E**  
**Library of Tax Administration Practices Disclosed Practice (DP) Number 10 – Delivery Network Companies**

**Disclosed Practice 10 – DELIVERY NETWORK COMPANIES (DNCs)**

For purposes of Disclosed Practice 10, “Delivery Network Companies” are generally defined as business entities that own or operate an internet website and/or mobile application utilized to facilitate sales and delivery services of food, prepared food, and other tangible personal property offered by local merchants to customers within a certain geographical market.

**Disclosed Practice 10.1. DNC has a Contract or Agreement with the Merchant**

Disclosed practice 10.1 only applies to “Delivery Network Companies” who:

- Have transactions that are made and the payment is processed ~~directly~~ through the DNC’s website or mobile application and not through the merchant’s website or mobile application, and
- Have a contract or agreement with the merchant.

**10.1.a. DNC Registration, Collection and Remittance Requirement**

**10.1.a.i.** The State treats DNCs as marketplace facilitators/providers for registration, collection and remittance of sales/use taxes, following all subsections of Disclosed Practice 8.3, “Marketplace Facilitators/Providers”.

If “yes”, move to Disclosed Practice 10.1.~~dc~~.

If “no”, explain in the comments any other provisions requiring a DNC to collect and remit tax.

**10.1.a.ii.** DNCs not otherwise required to collect and remit sales/use tax can voluntarily register to collect and remit sales/use tax.

**Disclosed Practice 10.1.b. DNC Tax Refund Requests**

**10.1.b.i.** DNCs registered to collect and remit sales/use tax may request a refund from the State in the same manner as a seller/retailer.

If “no”, explain in the comment section the procedure for DNCs to obtain a refund.

**10.1.b.ii.** DNCs registered to collect and remit sales/use tax can take a deduction or reduction on the sales/use tax return when a refund is given to the purchaser for an item that is not or cannot be returned (e.g. spoiled food, order improperly prepared, etc.).

If “yes”, explain in the comment section how the DNC takes the deduction or reduction.

## A motion by the state of Iowa to amend Appendix E of the Streamlined Sales Tax Agreement

If “no”, explain the procedure for DNCs to obtain a refund.

### **Disclosed Practice 10.1.c. DNC Deduction, Reduction or Credit for Tax Paid**

**10.1.c.i.** DNCs registered to collect and remit sales/use tax can take a deduction, reduction or tax credit (e.g., a “tax paid inventory resold” deduction or a “tax paid at source” deduction or other similar deduction) on the sales/use tax return for tax paid by the DNC to the merchant.

If “yes”, explain in the comment section how the DNC takes the deduction, reduction or credit.

If “no”, describe any alternative method the DNC can take to recover the tax paid to the merchant.

### **Disclosed Practice 10.1.d. DNC Tax Collection Notification to Merchants**

**10.1.d.i.** The state considers contractual agreements noting the sales/use tax collection and remittance responsibility rests with the Delivery Network Company as sufficient documentation supporting the merchant not charging tax, thereby precluding any requirement for supplementary documentation.

If “no”, explain in the comment section what a DNC needs to provide to merchants to support no tax being charged to the DNC.

### **Disclosed Practice 10.2. DNC *without* a Contract or Agreement with the Merchant**

Disclosed practice 10.2 only applies to “Delivery Network Companies” who:

- Have transactions that are made and the payment is processed ~~directly~~ through the DNC’s website or mobile application and ~~not through the merchant’s website or mobile application~~, and
- Do not have a contract or agreement with the merchant.

### **Disclosed Practice 10.2.a. DNC Deduction, Reduction or Credit for Tax Paid to Non-Contracted or Non-Agreement Merchants**

**10.2.a.i.** A DNC that collects sales tax from a customer, and who obtains products from a merchant with whom the DNC **does not have a contract or agreement**, may take a deduction, reduction or tax credit (e.g., a “tax paid inventory resold” deduction or a “tax paid at source” deduction or other similar deduction) on the sales/use tax return for tax paid by the DNC to the merchant to obtain the products.

If “yes”, explain in the comment section how the DNC takes the deduction, reduction or credit.

If “no”, describe any alternative method the DNC can take to recover the tax paid to the merchant.

### **Disclosed Practice 10.3. DNC Other Collection and/or Remittance Requirements**

Disclosed practice 10.3. pertains to DNCs both with and without a Contract or Agreement with the Merchant.

10.3.a. Disclosed practice 10.3.a. only relates to taxes and fees administered by the State tax agency. States are encouraged to provide a complete list of other taxes and/or fees that DNC's may be required to calculate, collect and/or remit to the state. However, since these taxes and/or fees may be administered by other agencies or divisions in each state, this may not be an all-inclusive list, and DNCs are ultimately responsible for determining which taxes and/or fees they are responsible for collecting and remitting.

10.3.a.i. DNCs registered for sales/use tax collection may also be liable for ~~responsible to collect and remit~~ other taxes and fees associated with the transaction and administered by the state tax agency, ~~that are directly imposed on the consumer at the time of the sale.~~

If “yes”, please list the taxes and fees in the comment column along with legal authority. The list provided may not be an all-inclusive list.

~~10.3.a.ii. DNCs registered for sales/use tax collection may also be responsible to remit other taxes and fees associated with the transaction and administered by the state tax agency, that are not directly imposed on the consumer at the time of the sale.~~

~~If “yes”, please list the taxes and fees in the comment column along with legal authority. The list provided may not be an all-inclusive list.~~