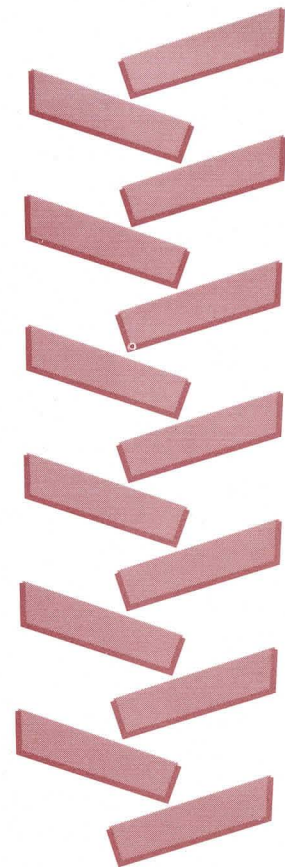


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FARMERS GUIDE

**Iowa Tax
Information
Booklet**

CONTENTS

I. WITHHOLDING ON AGRICULTURAL LABOR 1

- COMPENSATION
- REGISTERING
- BOOKLETS
- SUBMITTING THE TAX
- PENALTY AND INTEREST
- IOWA W-4
- IOWA W-2
- SUMMARY REPORT
- FAILURE TO REPORT
- BONDS

II. FARM PURCHASES 4

- USE TAX
- SALES TAX

- Livestock and Domesticated Fowl
- Pets and Racing Animals
- Draft Horses
- Veterinary Services and Sales of Medicine
- Chemicals, Fertilizers and Food for Animals
- Machinery and Equipment
- Replacement Parts
- Auctions
- Bedding
- Real Property
- Registered Vehicles
- Hand Tools

USUALLY TAXABLE

USUALLY EXEMPT

III. SALES, REFUNDS, SERVICES 10

- SALES
- REFUNDS
- SERVICES

IV. UTILITIES AND FUEL PURCHASES 11

- WATER
- ELECTRICITY AND GAS
- WIND ENERGY CONVERSION PROPERTY

V. MOTOR FUEL PURCHASES FOR FARM VEHICLES 13

- MOTOR FUEL REFUND
- INCOME TAX CREDIT
- SALES TAX REFUND
- TAXABILITY OF VARIOUS TRANSACTIONS
- KEY-CARD ACTIVATED PUMPS

VI. FREQUENTLY ASKED QUESTIONS 15

VII. ADDITIONAL INFORMATION 18

INTRODUCTION

This guide is a summary of basic information concerning Iowa income tax withholding of employee wages, applicable motor fuel taxes and Iowa sales and use taxes which should be helpful to farmers and farm businesses in Iowa.

For more information contact:

**Taxpayer Services
Iowa Department of
Revenue and Finance
PO Box 10457
Des Moines IA 50306-0457**

If calling from the Des Moines metropolitan area or from out of state, please call (515) 281-3114.

From elsewhere in Iowa or from Omaha, NE, or Rock Island/Moline, IL, area call toll free 1-800-367-3388.

WITHHOLDING ON AGRICULTURAL LABOR

Compensation from which tax must be held

Iowa income tax withholding is applied to the same wages and compensation to which federal income tax withholding applies. Iowa farmers and ranchers who pay more than \$2,500 to all employees or \$150 to an individual employee in wages during the year are required to withhold Iowa income tax from their employees' compensation beginning July 1, 1990. The federal government (IRS) required withholding on agricultural labor effective January 1, 1990.

Registering as a withholding agent

Every employer or other person who is required to withhold Iowa income tax must register as a withholding agent. There is no fee for registering. Contact our office for an application form.

Withholding coupon booklets

An Iowa Employer's Withholding Tax Forms Booklet is mailed annually and contains all of the required reporting forms for an entire calendar year.

Submitting the withholding tax

Every registered withholding agent is required to file a deposit form for each period during the calendar year, even if compensation was not paid during that period. If no wages or compensation was paid during the period, enter the word "NONE" on the deposit form, sign the form and submit it as usual. Checks and money orders should include the withholding agent's federal employer ID number and should indicate the calendar period for which the payment applies. Make checks payable to "Treasurer-State of Iowa."

Penalty and interest on delinquent returns

Any return received with a U.S. Postal Service postmark dated after the day on which the return was due will be considered delinquent. Prior to January 1, 1991, if at least 90 percent of the correct tax is not paid by the due date of the return or deposit, a 15 percent penalty will be added to the unpaid portion of the tax due. Interest is added to unpaid tax at a rate prescribed by law from the due date of the return until the full payment is received.

For state income taxes withheld on or after January 1, 1991, the interest rate on overdue taxes is 2 percent above

the prime interest rate. Penalty provisions include a penalty of 10 percent of the unpaid tax for failure to timely file the return and a penalty of 5 percent of the unpaid tax for failure to timely pay the tax due. However, no penalty will apply if at least 90 percent of the tax due was paid by the due date of the withholding tax return or deposit form.

Iowa Employee's Exemption Certificate (IA W-4)

Employees are required to furnish their employers with a signed exemption certificate (IA W-4) indicating the number of exemptions which they claim. In lieu of the Iowa Exemption Certificate, employers may use the Federal Employee's Exemption Certificate (W-4) provided that the employer clearly marks that it is to be used for Iowa purposes. If an employee fails to furnish an Iowa exemption certificate or fails to mark a federal one, the employer must withhold at zero exemptions.

An employee who does not anticipate having a tax liability during the current year and who had no liability in the prior year may claim an exemption from Iowa income tax (IA W-4). As a general rule, any person with a total income of \$9,000 or less or any unmarried couple with a combined total income of \$13,500 or less for the year may file for exemptions from withholding. If the individual is claimed as a dependent on someone else's return, the

guideline for filing as exempt is \$4,000 in income per year. In general, any person with income above this amount is subject to withholding and should not file for exemption.

Iowa W-2

Iowa Wage and Tax Statements (W-2s) must be given to the employees on or before the last day of January or within 30 days of the time the last wage payment is received if requested by the employee. This statement must contain the name, address, and federal employer identification number of the employer plus the gross amount of compensation paid to the employee during the year and the amount of federal and state tax withheld. W-2s may be obtained by contacting the IRS or a commercial printer.

Verified summary report

At the end of the calendar year, the withholding agent is required to submit to the Department a verified summary of payments and a copy of each W-2. This information is to be filed with the Department by the last day of February. Year-end summary reports should not be mailed in the same envelope with a quarterly, monthly, or semi-monthly return. This report, located in the back of the withholding coupon booklet, is used when submitting Wage and Tax Statements (W-2, W-2P).

Failure to report

Every withholding agent who fails to withhold and pay to the Department of Revenue and Finance any money required to be withheld and paid will be personally, individually and corporately liable to the State of Iowa for any withholding deficiency, plus penalty and interest. In the event the withholding agent fails to properly withhold, the amount of the withholding deficiency and any penalty and interest will be assessed against that withholding agent in the same manner as would be used to assess personal income tax.

Forms necessary to comply with Iowa withholding regulations are available from our office.

Bonding

1 If an employer or withholding agent fails to remit the required withholding tax by the due date, the Department director may require the employer or withholding agent to post a bond to ensure timely payment in the future.



FARM PURCHASES

4

This portion of the booklet addresses the Iowa sales and use tax exemptions for farmers. Because the contents are general, this publication may not be able to answer all questions. We urge you to contact our office if you have other questions.

Purchases by farmers may be exempt from the Iowa sales and/or use tax. If you claim exemption on any purchase, you must be able to show that you are entitled to it. If the seller requests, the farmer must provide a valid exemption certificate to the seller of the property. A separately completed exemption certificate is not necessary for each exemption purchase; a "blanket exemption certificate" on file with a given retailer is sufficient. The certificates may be obtained by contacting our office.

USE TAX

Goods purchased out of state are generally subject to use tax if they are purchased for use in Iowa. Purchases made from out-of-state suppliers who do not collect Iowa sales tax and which are not exempt from sales tax are subject to use tax. In these situations, the consumer is liable for use tax and must be registered as a consumer's use tax permit

holder.

Vehicles subject to registration such as pickups and stock trucks are subject to vehicle use tax regardless of whether or not they are used in agricultural production. Farm tractors are not vehicles subject to registration.

SALES TAX

Certain purchases are exempt from the Iowa sales tax if they are used directly and primarily in agricultural, dairy or livestock production for market.

Livestock and Domesticated Fowl

Sales of domesticated fowl used for food are exempt from tax, whether the purchaser is a farmer or some other person. Examples of domesticated fowl are chickens, ducks and turkeys. Sales of livestock other than domesticated fowl are exempt from tax only if the livestock is to be used for breeding purposes or is to be offered for resale. "Livestock" are domesticated animals raised on a farm for food or clothing. Sheep, cattle, goats and hogs are examples of livestock. Mink, fish and bees are examples of animals which are not livestock, even if raised on a farm.

Pets and Racing Animals

Horses, mules, dogs, cats and other pets and racing animals and other creatures not generally associated with agricultural production are subject to sales tax when sold, unless purchased to be immediately offered for resale. The grooming of pets, whether performed by a veterinarian or anyone else, is taxable.

Draft Horses

Draft horses or those breeds of horses which are commonly thought of as draft animals (Belgian, Clydesdale, Percheron and Shire) are exempt from tax. Other horses which may be used for pulling loads may also meet this exemption.

Veterinary Services and Sales of Medicine

Veterinary services are not taxable. Sales by a veterinarian or any other person of medicine used to prevent or treat diseases of livestock or domestic fowl are not taxable.

Chemicals, Fertilizers and Food for Animals

A farmer's purchase of fertilizer, limestone and chemicals used to kill pests, insects or weeds are not taxable if the purchases are for use in agricultural production. A farmer's purchases of food for livestock and domestic fowl are also exempt from tax. Food for pets and racing animals is taxable.

Machinery and Equipment

Generally, sales and use taxes are not due when self-propelled implements or implements customarily drawn or attached to a self-propelled implement are used directly and primarily in agricultural or livestock production is purchased or rented. (See lists on pages 7-9 for taxable or exempt status of the purchase or rental of specific farm machinery and equipment.)

Replacement Parts

Exempt from the Iowa sales tax are the purchases of replacement parts essential to the agricultural operation of exempt equipment. Non-essential parts such as radios and air conditioners are taxable because they are not necessary for agricultural use. A part is essential if the machinery or equipment cannot properly operate without the part. Do not confuse replacement parts with supplies, most of which are taxable.

Auctions

The proceeds of a farm auction, if not exempt as sales of farm machinery or equipment, are usually exempt as casual sales. The casual sales exemption is applicable if a farmer has no more than two auctioneer sales per year and the farmer is not regularly engaged in the taxable sales of goods or services. Contact our office for information which addresses the subject of auctions.

Bedding

Bedding used for agricultural livestock or fowl is exempt.

Real Property

Sales of machinery and equipment which will become real property after installation (that is, a substantially permanent part of the farm property) are taxable. An exception to this is drainage tile, which may be purchased exempt. In general, machinery or equipment is real property if its removal after installation is difficult or if removal substantially lessens the value of the machinery or the location where it was placed.

Some equipment purchases may appear to be exempt, but they are not. For example: installing a ventilation fan in a hole cut into the wall of a building appears to be the purchase of equipment for the purpose of livestock production (cooling) and, therefore, exempt from sales tax. However, cutting a hole into a building is considered permanent installation. In this case, a ventilation fan becomes part of the building, and, therefore, "real property." Accordingly, this type of fan purchase is not exempt from sales tax.

Registered Vehicles

Vehicles subject to registration are taxable. Any implement customarily drawn by or attached to a registered vehicle is taxable. This includes camping trailers and livestock trailers.

Farm tractors, combines and other such vehicles are exempt from tax because they meet all three of the following requirements: they are used directly and primarily in agricultural production, they are self-propelled, and they are not subject to registration.

Implements customarily drawn by self-propelled implements are exempt from tax if directly and primarily used in agricultural production and not subject to registration.

Hand Tools

Hand tools specially designed for use in agricultural, dairy and livestock production are exempt from tax. These include electric dehorers, hay hooks and others; see pages 8-9 for a list of items that are usually exempt.

Hand tools which can serve a variety of purposes, such as construction tools of all kinds, are taxable. See page 7 for a list of items that are usually taxable.

If you have questions concerning items which are taxable, contact our office.

USUALLY TAXABLE

additives
air conditioners
air compressors
air tanks
all-terrain vehicles (ATVs)
antifreeze
axes
baling wire and baling twine (unless
 used in baling hay for sale on the
 open market)
barn cleaner, permanent
barn ventilators, permanent
baskets
bins, permanent
brooms
building materials and supplies
bulldozers
burlap cleaners
cattle feeders, permanent
cement
chain saws
cleaning brushes
cleansing agents and materials
computers
construction tools
concrete
conveyors, permanent
cow ties
ear tags
fans, permanent

fence, posts, wire, permanent
field toilets
fire prevention equipment
freon
fuel additives
fuel tanks and pumps
garden hoses and rakes
glass
grain bins and tanks, permanent
grease
grease guns
hammers
hydraulic fluids
hypodermic syringes, disposable
lamps
lanterns
light bulbs
lubricants and fluids
lumber
marking chalk
materials used to build any
 "real property"
mops
motor oils
nails
office supplies
oxygen
packaging materials
packing room supplies
paint and paint sprayers
pliers
post hole diggers

poultry brooders
poultry feeders
poultry nests
pruning tools
pumps for household or lawn use
radios
refrigerators for home use
repair tools
road maintenance equipment
road scraper
roofing
sanders
scrapers
screwdrivers
shingles
shovels
silage bags
silos
snow fence
snow plows and snow equipment
space heaters
specialized flooring, permanent
sprinklers, permanent
stalls, permanent
staples
stanchions, permanent
storage tanks
tarps
tractors, garden
welders
wheel barrows
wrenches

USUALLY EXEMPT

Following is a general list of machinery and equipment which when purchased for farm work is usually exempt from Iowa sales tax. This list includes but is not limited to these items. If you have specific questions about exempt purchases, please contact our office.

alternators and generators ²
 artificial insemination equipment
 augers ²
 automatic feeding systems, portable
 balers
 bale transportation equipment
 baling wire and binding twine if used in
 baling hay for sale on the open
 market
 batteries for exempt machinery
 barn ventilators, portable
 bedding materials ³
 blowers, grain dryer
 breeding stock, agricultural
 brush hogs ²
 bulk feeding tanks, portable
 bulk milk coolers and tanks, portable
 calf weaners and feeders, portable

cattle currying and oiling machines,
 portable
 cattle feeders, portable
 chain and rope hoists, portable
 chick guards
 chicken pickers, plucking equipment
 clipping machines, portable¹
 combines, cornheads, platforms
 conveyors, temporary or portable
 corn pickers
 cow stalls, portable
 cow ties, portable
 cow watering and feeding bowls,
 portable
 crawlers, tractor
 cultipackers
 cultivators
 currying and oiling machines, portable
 dehorner, electric
 discs
 domestic fowl
 draft horses
 drags
 drainage pipe and tile
 dusters ²
 electric fence equipment, portable
 ensilage cutters
 ensilage forks and trucks, a pickup
 does not qualify
 fans/ventilators, portable
 farm wagons and accessories

farrowing houses, crates, stalls
 portable
 feed
 feed bins, portable
 feed carts, portable
 feed elevators, portable
 feed grinders, portable
 feed scoops ¹
 feed tanks, portable
 feeders, portable
 feeder chutes, portable
 fence and fencing supplies, temporary
 or portable
 fertilizer, agricultural
 fertilizer spreaders
 foggers
 forage harvesters, boxes
 fuel for grain drying
 fuel to heat or cool livestock buildings
 gaskets
 gates, portable
 gestation stalls, portable
 grooming equipment, portable ¹
 grain augers, portable
 grain drills
 grain dryer, heater and blower
 grain planters
 harrows
 hay conditioners
 hay hooks
 hay loaders

head gates, portable
 heaters, portable
 herbicides
 hog feeders, portable
 hog rings and ringers
 hoof trimmers, portable ¹
 hypodermic syringes and needles,
 non-disposable
 implement customarily drawn or
 attached to a self-propelled
 implement
 incubators, portable
 inoculation materials
 irrigation equipment
 kill cones
 limestone, agricultural
 livestock feeding, watering and
 handling equipment, portable
 loading chutes, portable
 manure brooms, portable ¹
 manure handling equipment, includes
 front end and rear end loaders,
 portable ¹
 manure scoops, portable ²
 manure spreaders
 medications
 milk coolers, portable
 milking equipment, includes cans, etc.
 milking machines
 milk strainers and strainer disks, if not
 disposable

milk tanks, portable
 mowers, hay and rotary blade
 oil pumps
 pesticides
 pickers
 plants (seeds)
 planters
 plows
 piston rings
 poultry feeders, portable
 poultry founts, portable
 poultry litters, portable
 poultry nests, portable
 pruning and picking equipment²
 replacement parts
 rock pickers
 rollers²
 rotary blade mowers
 rotary hoes
 saw dust ³
 seeders
 seed cleaners²
 seed planters
 seeds
 self-propelled implements
 shellers²
 silo blowers, unloaders²
 sowers
 space heaters, portable
 spark plugs for exempt machinery
 specialized flooring, portable

sprayers²
 spreaders
 sprinklers
 squeeze chutes, stalls, portable
 stanchions, portable
 subsoilers
 tillers
 tires for exempt machinery
 thermometers
 tractors, farm
 tractor chains
 tractor weights
 vacuum coolers
 vegetable harvesters
 ventilators, portable
 water filters, heaters, pumps,
 softeners, portable
 waterers/watering tanks, portable
 weaners
 weeders²
 wood chips ³

¹designed for farm use

²exempt if drawn or attached
to a self-propelled farm
implement

³exempt when used as livestock
and poultry bedding



SALES, REFUNDS, SERVICES

Sales

Nearly all sales by farmers of grain, livestock or any other farm or garden produce are exempt from Iowa sales tax. Ordinarily, such sales by farmers are sales for resale, processing or human consumption, and, therefore, are not subject to Iowa sales tax. However, if a farmer sells to the ultimate consumer products like pet food or grain for race horses, the sales are taxable.

Refunds

The Department may approve refunds of erroneously paid sales and use taxes. The statute of limitations is either five years from when the tax payment became due or one year from when payment was made, whichever time is the later.

Services

Services performed on the farm may or may not be taxable. If the service is essential to the production of livestock or agricultural produce, it is exempt.

EXAMPLE 1: *The service of exterminating bugs and rats in the farm home is taxable. The same service performed in a grain bin is exempt because the grain bin is used to store agricultural products.*

EXAMPLE 2: *The charge for labor in the service of motor repair is always taxable. The parts may or may not be taxable depending on what type of motor is being repaired. When repairing a combine motor, the labor is taxable, and the parts are exempt if they are essential.*

The taxability of services in relation to farming can be complicated. Contact Taxpayer Services and speak to a tax specialist to determine whether or not a service is subject to sales tax.

UTILITIES AND FUEL PURCHASES

Fuels used in any implements of husbandry or fuels used in heating or cooling (not general lighting) of livestock buildings on the farm are exempt from sales and use tax. An implement of husbandry means any tool, equipment or machine necessary to the continuation of the business of agricultural production.

Fuel used in grain drying is exempt from tax, as is fuel used in processing. Any purchaser who is qualified to receive a sales tax exemption for utilities and fuel must complete a fuel exemption certificate, available from our office or the seller. This certificate is filed with the seller.

Water

Water used directly as drinking water for livestock or poultry production for market is exempt. When water is used in livestock production and for other purposes and is not separately metered, the first 4,000 gallons of water per month is considered taxable use and the balance is considered to be exempt as a part of agricultural production.

Electricity and gas

Other uses for fuel are utilities; this includes both electricity and gas. Electricity or gas used in the home, for recreation, hobbies, air conditioning, lighting and for farm shops is taxable.

In order to receive the utilities exemption for electricity or gas, a farmer must provide adequate documentation of the electric energy or gas used for agricultural production. This documentation must be provided to the utility company.

When filling out the Department's sales tax exemption certificate for your power company, you will need to show what percent of your total energy consumption is for production uses. Generally, using another meter for all non-production uses isn't practical for most farmers (although it is acceptable as a means of deriving the exempt and non-exempt energy percentages). Therefore, if you do not have your production and non-production uses metered separately, you need to determine the percentage of your total electrical energy consumption used in farm production. Contact your power company for assistance in determining this percentage.

Your previous year's monthly statements can be used as a guide to help you determine your total annual use. Ordinarily, the 12-month period immediately preceding the date on which you apply for exemption is used as the base period in determining the percentage of electricity exempt as used in processing. However, your individual circumstances can dictate that you use a shorter or longer base period than 12 months or that you use some 12-month period other than the immediately preceding one. If for some reason your electrical usage last year was not typical, select any 12-month period which is more representative and for which you have adequate documentation. If you have questions about calculating your energy usage, contact our office.

Each farmer applying for utility sales tax exemption should calculate both the exempt and non-exempt percentages of utility use. Your power company may help you decide what method of calculation is best for your individual circumstances.

Wind Energy Conversion Property

Effective July 1993 is the Wind Energy Conversion Property, Department Rule 18.56. This rule states that the sale of materials used to manufacture, install or construct property used to convert wind energy to electrical energy is exempt from sales tax.

V

MOTOR FUEL PURCHASES FOR FARM VEHICLES

Motor fuel purchases, refund permits and taxable transactions are discussed in this section.

Iowa law imposes an excise tax upon fuels used to propel motor vehicles.

Tax is imposed on two categories of fuel: motor fuel (gasoline, gasohol, and aviation gasoline) and special fuel (diesel, liquified petroleum gas, aviation "jet" fuel and compressed natural gas).

Motor fuel refunds

Any person not licensed as a distributor, dealer or user is entitled to a refund of taxes paid on motor fuel or special fuel that was used for any purpose other than in aircraft, watercraft or for propelling motor vehicles on public highways. A refund of fuel taxes is allowed on fuel used to operate or propel farm tractors, corn shellers, roller mills, feed grinders mounted on trucks, stationary gas engines, grain dryers.

In order to receive this refund, you must:

- (1) have an active refund permit;
- (2) submit a claim within four calendar months of the purchase date (forms are supplied by the Department of Revenue and Finance);
- (3) attach the original invoices to the claim;
- (4) sign the claim.

The application for the refund permit is available from the Applications Unit of the Department. The refund permit remains in effect until it is revoked or becomes invalid.

Income tax credit

A person who is not licensed as a distributor, dealer or user may claim an income tax credit for fuel tax paid on motor fuel or special fuel used for the same purposes as described previously under "Motor fuel refunds." However, only those individuals or corporate taxpayers who do not have motor vehicle fuel tax refund permits are eligible for the income tax credits. Form IA 4136 is used to compute the taxpayer's motor vehicle fuel tax credit and is filed with the individual or corporate income tax return.

Sales tax refund

Motor fuel and special fuel are exempt from Iowa sales tax when used on the highway, in watercraft or aircraft when the fuel tax has been paid and no refund has been allowed. When the refund is allowed, the sales tax is deducted from the refund unless it is used for a purpose that is exempt from sales tax, such as agricultural use.

Taxability of various transactions

With the exception of sales to the federal government or an urban transit system, all sales of gasoline at the pump are taxable. The farmer can later obtain a refund or claim an Iowa income tax credit when paying tax on fuel used for agricultural purposes. Sales of special fuel into a non-highway vehicle are exempt if an exemption certificate is completed.

EXAMPLE 1: *A non-highway vehicle (farm tractor) is filled with diesel fuel at the pump; a completed exemption certificate is given to the seller. Not taxable.*

EXAMPLE 2: *Gasoline is taken from a farm barrel and used in a motor vehicle for highway use. Taxable.*

Key/card activated pumps

Special fuel may be dispensed tax free from key/card-activated pumps which dispense only non-highway fuel providing the fuel is placed into storage tanks or in fuel supply tanks of vehicles which are used for non-highway purposes. The key/cardholder may submit a blanket exemption to the dealer, who must keep detailed records. If detailed records are not maintained, individual exemption certificates are required to support each tax-free sale. If the Department finds that a key/cardholder purchasing fuel tax free uses it for highway purposes, the Department will notify the dealer that the key/cardholder is no longer eligible to purchase fuel tax free. If the dealer continues to make tax-free sales to the key/cardholder, the dealer's special fuel license may be canceled.

Special fuel may be dispensed tax free from key/card-activated pumps which dispense both highway and non-highway fuel providing the dealer collects a certificate of exemption each time a purchase of non-highway fuel is made or the key/cardholder submits a monthly exemption certificate to the dealer to substantiate exempt purchases of non-highway fuel. All sales of fuel made from pumps which dispense both highway and non-highway fuel which are not supported by an exemption certificate are considered to be tax-paid sales and the dealer is responsible for the tax.

Questions concerning motor vehicle fuel tax purchases on farm vehicles should be directed to our office.

FREQUENTLY ASKED QUESTIONS

Q *WHY AREN'T COMMERCIAL GREENHOUSES CONSIDERED TO BE USED FOR AGRICULTURAL PRODUCTION?*

A Commercial greenhouses are not exempt from the collection of sales tax because agricultural production has been defined as raising livestock or crops on an acreage. Furthermore, the Iowa Code specifically excludes commercial greenhouses from agricultural production.

Q *ARE FARMER-OWNED BULLDOZERS EXEMPT?*

A A bulldozer is not specifically designed for agricultural purposes, but if it is directly and primarily used in agricultural production it may be exempt from sales tax. If the bulldozer is primarily used to clear and prepare previously uncultivated land or for creating farm ponds, then it is not eligible for the sales tax exemption. However, if the equipment is primarily and directly used during planting, cultivating, harvesting, or soil preparing operations, then the bulldozer is exempt from tax, as it is being used while engaged in agricultural production.

Q *WHY DO I (A FARMER) HAVE TO FURNISH AN EXEMPTION CERTIFICATE TO THE COOPERATIVE THAT SUPPLIES MY GASOLINE AND DIESEL FUEL USED IN FARMING?*

A Diesel fuel dispensed from metered highway storage for other than highway purposes may only be sold tax-free to a purchaser who has signed an exemption certificate prepared by the seller. The dealer may only sell motor vehicle fuel tax exempt to those individuals or agencies which have been exempted by the Iowa Code and have completed an exemption certificate. If the dealer sells the motor fuel tax exempt without obtaining an exemption certificate, the dealer will be held liable for the payment of the tax. Gasoline must be purchased tax-paid, but a farmer may apply for a motor vehicle fuel tax refund number. Once the farmer has obtained the refund number, he or she may make a claim for refund on the fuel taxes that have been paid on fuel that was directly used in agricultural production.

Q *ARE THE PARTS AND MATERIALS USED IN ROUTINE MAINTENANCE OR TUNE UPS OF FARM EQUIPMENT EXEMPT?*

A Replacement parts essential to the operation of eligible farm machinery or equipment are exempt from sales tax. Oil filters, spark plugs, gas filters, and tires are replacement parts required for the maintenance and operation of farm machinery. Oil and grease used in the routine maintenance of a tractor, for example, are not considered tractor parts. As these items are not component or replacement parts of a tractor, they are not exempt from sales tax.

16 **Q** *WHEN ARE BALING WIRE AND BINDING TWINE CONSIDERED EXEMPT OR TAXABLE PURCHASES?*

A Baling wire and binding twine are expendable supplies. Supplies are not machinery or equipment, and baling wire and binding twine are not among those supplies that are exempt from sales tax. However, baling wire and binding twine may be exempt from sales tax if used for baling hay for sale on the open market.

Q *WHO MUST OBTAIN AN IOWA HOUSEHOLD HAZARDOUS MATERIAL PERMIT?*

A Both retailers and manufacturers or distributors who sell household hazardous materials through independent agents must have a Household Hazardous Materials Permit.

The permit is issued on an annual basis and is to be renewed by July 1. The Department of Natural Resources administers the law regarding the types of materials which are covered under the terms of its provisions. For more information contact DNR at 1-800-532-1114.

Q *WHEN DID THE NEW WITHHOLDING REQUIREMENTS GO INTO EFFECT FOR FEDERAL AND STATE PURPOSES?*

A A farmer is required to withhold income taxes on an employee who earns at least \$150 in annual remuneration or if the farmer pays more than \$2,500 in wages during the year to all employees. Federal withholding taxes were required to be withheld from wages effective January 1, 1990. Iowa taxes were required to be withheld from wages for agricultural labor beginning July 1, 1990.

Q *WHAT MUST A FARMER DO TO MAKE EXEMPT PURCHASES?*

A In order for a retailer to sell machinery or equipment used in agricultural production exempt from sales tax, the retailer must have a completed exemption certificate from the farmer verifying eligibility or qualification for the exemption. In lieu of an actual exemption certificate, a stamped document of sale showing that the transaction was for an exempt use is acceptable.

ADDITIONAL INFORMATION

Due to the variety of possible situations, explaining every tax matter is impossible. However, additional information is available without charge.

General Information Telephone Numbers

Contact the Department toll-free at **1-800-367-3388**, accessible in Iowa including the Omaha, NE and Rock Island/Moline, IL, areas. All other callers dial **(515) 281-3114** from the Des Moines area or out-of-state.

Newsletters

The Director issues newsletters concerning all taxes. You can be placed on our mailing list, let us know.

Booklets, Brochures, Guides, Statistics

The Department provides general tax information on a variety of topics. These documents enable taxpayers basic information to enhance their tax knowledge.

(VRU) Voice Response Unit Telephone Numbers

Call this system, activated by a touch tone telephone, to verify the status of Iowa individual income tax returns or rent reimbursement claims. The number is **1-800-572-3944**.

Tax-Fax (receiving) Telephone Numbers

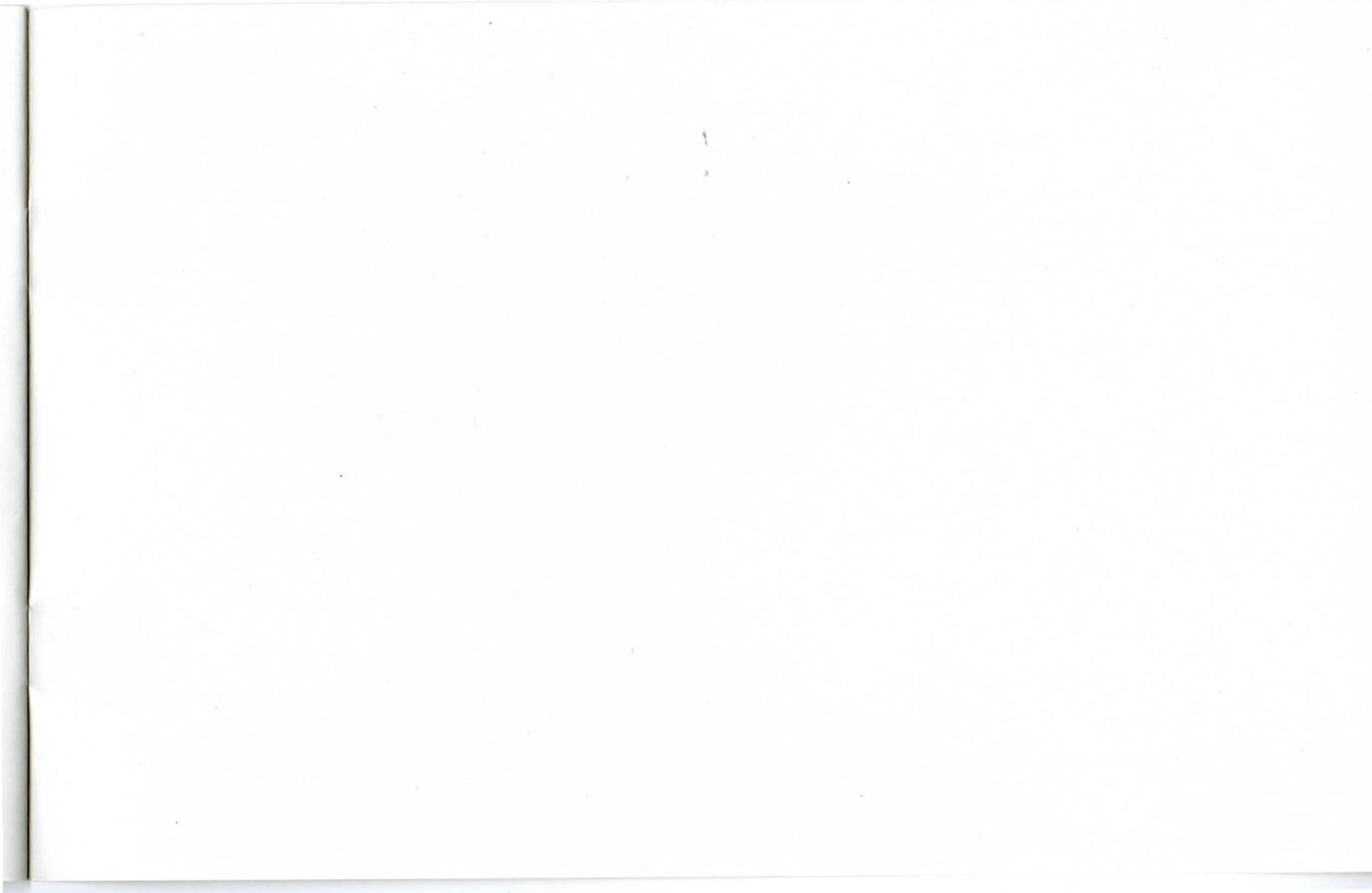
Since the Department receives approximately 18,000 requests to fax or mail forms, policies, rule interpretations, etc., annually, a fax-on-demand system has been implemented. Call **1-800-572-3943**.

ERIN (electronic bulletin board) Telephone Numbers

A computer, communications software and a modem are needed to access our Electronic Revenue Information Network. Viewers see Announcements - urgent messages, Bulletins - brief narratives or statistics, and Files - specified for each major tax type. Callers from Des Moines and out-of-state dial **(515) 281-3248**. Call **1-800-972-2028** in Iowa.

Fax (sending) Telephone Numbers

To send an employee in the Department information via fax dial **(515) 242-6040**.



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