

What it is: Sales taxes are added to the cost of a product or service and are generally paid by the customer.

How it works: Sales tax can vary by state and most states and taxing authorities impose a sales tax on goods and service. Businesses are responsible for collecting sales taxes and remitting them to appropriate taxing authority. Taxes are paid by the retail consumer, goods that are sold to wholesalers or manufactures are exempt from taxes.

Why it matters: A retail business needs a sales tax permit if it is selling products or services that have been specified taxable by Iowa law. A business will need to complete and file an Iowa Business Tax Registration form. These forms are available at all SBDC centers as well as at accounting offices

Who should care: In Iowa the state sales tax rate is 6:0% but some communities add additional sales tax known as local options sales tax. In Burlington the additional local options sales tax is 1%.The Sales Tax Fund accounts for the one percent local option sales tax approved by the voters of the community in August, 1994.The City of Burlington’s sales tax revenues are allocated fifty percent (50%) to direct property tax relief, with the balance being used to fund six additional police officers and a variety of capital projects. The majority of capital projects funded are street construction and reconstruction. Expenses are budgeted in the appropriate funds and sales tax revenues transferred from the Sales Tax Fund. (pg 97 http://www.burlingtoniowa.org/finance/Budget_FY_12-13.pdf)

According to the Iowa Department of Revenue Iowa’s sales tax is complemented by a use tax. The rate for both, beginning July 1, 2008, is 6%.Both the sales tax and the consumer’s use tax are applied to the receipts from sales of tangible personal property and taxable services. The difference between the two taxes is the circumstances under which the taxes are imposed.

Consumer’s use tax, on the other hand, is imposed *after* the sale takes place and only on goods and services that have not yet been subjected to sales tax. In most cases, these are purchases made from an out-of-state supplier not collecting Iowa tax and that are for use in Iowa. Ordinarily, the retailer is responsible for collection of the tax; however, if the retailer is not required by law to collect the tax or the Iowa retailer fails to collect the tax, the purchaser is then responsible for consumer’s use tax. The purchaser must pay the use tax when ownership or control of the purchase is taken.

Use tax applies to, but is not limited to, purchases made tax free through mail-order catalogs, television shopping programs, the Internet, toll-free 800 numbers; magazine subscriptions; and untaxed purchases made while in another state and shipped or otherwise brought into Iowa. Anyone – individuals and businesses – who makes these types of purchases is required to pay consumer’s use tax to the Iowa Department of Revenue.

For more information

- Tax rates in your area, <https://www.idr.iowa.gov/salestaxlookup/index.asp>.
- Business tax information contact: Iowa Department of Revenue and Finance, PO Box 10465, Des Moines, IA 50306-0465, or fax it to (515) 281-3906, or go on their website at

www.state.ia.us/tax or : <http://smallbusiness.findlaw.com/business-taxes/sales-and-use-tax.html#sthash.svM2KMqG.dpuf>