

**Policy Letter; Sales Tax Exemptions for UPS Stores; August 8, 2016**

**Topic Code: M011 – Machinery & Equipment**

**Document Reference: 16300050**

August 8, 2016

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**Re: Sales Tax Exemptions for UPS Stores**

Dear Mr. Magro:

The Iowa Department of Revenue (“Department”) has received your letter regarding the taxability of printing and copying equipment leases to UPS.

**Facts as Provided in Your Letter:**

CIT Group, Inc. (CIT) provides equipment loans and leases to small business and middle market companies. UPS Stores (UPS) will lease a copier or printer from CIT. The copier or printer will then be located in an UPS store for the general public’s use.

You inquire as to whether the manufacturing exemption in Iowa Code § 423.3(47) or the sale for resale exemption in Iowa Code § 423.3(2) would apply to the transaction between CIT and UPS.

**Additional Facts:**

UPS provides a wide array of professional black and white and color printing services to its customers.

**Analysis:**

*Manufacturing exemption*

Iowa Code § 423.2(1) imposes a six percent tax “upon the sales price of all sales of tangible personal property, consisting of goods, wares, or merchandise, sold at retail in the state to consumers or users.” Sales tax also extends to a lease of tangible personal property. Iowa Admin. Code r. 225.6(1).

Iowa Code § 423.3(47)(a)(1) provides a sales tax exemption for the “sales price from the sale or rental of computers, machinery, and equipment, including replacement parts, and materials used to construct or self-construct computers, machinery, and equipment if such items are...directly and primarily used in processing *by a manufacturer.*” (Emphasis added).

Your letter states that the equipment will be “made available to the general public for *self-service* copy and printing needs.” (Emphasis added). To qualify for the exemption, the equipment must be used in processing by a manufacturer. A UPS Store customer is not a manufacturer. Since the equipment will not be used by a manufacturer, it does not qualify for the exemption under Iowa Code § 423.3(47)(a)(1).

*Sale for resale exemption*

Iowa Code § 423.3(2) exempts from sales tax

The sales price of sales for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with the furnishing of taxable services except for sales, other than leases or rentals, which are sales of machinery, equipment, attachments, and replacement parts specifically enumerated in subsection 37 and used in the manner described in subsection 37 or the purchase of tangible personal property, the leasing or rental of which is exempted from tax by subsection 49.

UPS does not qualify for this exemption. UPS is not reselling the printer to its customers.

I hope this information has been helpful to you. Please remember that this letter is an informal opinion based only on the facts you provided and on the current law. In the future, the Department could take a position contrary to that stated in this letter. Any written advice or opinion rendered to members of the public by Department personnel that is not pursuant to a Petition for Declaratory Order under 701 IAC 7.24 is not binding upon the Department. If you have any additional questions regarding this matter please do not hesitate to contact me.

Sincerely,

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