

August 31, 2016

Jackie Bergh  
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**Re: Informal Opinion on Sales of Digital Video Cameras**

Dear Ms. Bergh:

The Iowa Department of Revenue (“Department”) has received your email regarding the taxability of a sale of video cameras and equipment to Fareway Foods.

**Facts and Questions as Provided in Your Email:**

Fareway Foods (Fareway), a grocery store in Iowa, is going to purchase video cameras and cables that attach the cameras to a computer. Your email did not state from whom Fareway will be purchasing these items. The video cameras and equipment will be installed in the store to monitor customers and employees and record video footage. The video cameras will be plugged via a signal cable into a computer that stores the video footage recorded by the cameras. The video cameras are digital cameras and the only way to view the images captured by the cameras is by connecting them to a computer and viewing the images on the computer.

You asked whether the sale of the video cameras and equipment to Fareway is a taxable transaction.

**Analysis:**

You asked the Department to provide an official ruling to determine the taxability of the transaction at issue. Under Iowa law, advice binding upon the Department can come only by way of a Declaratory Order. The process for obtaining a Declaratory Order is explained in Iowa Admin. Code r. 701-7.56. Below is the Department’s informal, non-binding analysis of the facts as you presented them.

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.” Iowa Code § 423.3(47)(a)(4) exempts from sales tax the sales price of computers “used in processing or storage of data or information by an insurance company, financial institution, or commercial enterprise.” The transaction must meet the following criteria to qualify for the exemption: 1) the video cameras and equipment must be considered a computer, 2) the video cameras and equipment must be used in the processing or storage of data, and 3) Fareway must be an insurance company, financial institution, or commercial enterprise.

“Computer” is defined in Iowa Admin. Code r. 701-18.58(1) as “stored program processing equipment and all devices fastened to it by means of signal cables or any communication medium that services the function of a signal cable.” It is the Department’s position that

More than mere attachment to a computer is necessary to render a peripheral device a part of a computer, the sale of which is exempt from tax. The output of other than incidental amounts of information from any device must be derived from data stored or processed within a computer’s central processing unit if that device is to be considered part of the computer.

*Policy Letter; Computers; Dec. 28, 2009*, available at <http://itrl.idr.iowa.gov/Browse/OpenFile/4023-09300092-Any->. In addition, the Department has determined on at least one occasion that devices that send information via a signal cable to a computer for storage or processing meet the criteria for exemption set forth in the rule. *See Policy letter; computer; Feb. 2, 2007*, available at <http://itrl.idr.iowa.gov/Browse/OpenFile/3886-07300013-Any->. The Department has not addressed whether the sale of video cameras for the purposes you described is a taxable transaction. Your email indicated that the video cameras will be attached to a computer via a signal cable, and the computer will store the video footage. The moving images captured by the cameras are only viewable on the computer to which the camera is attached making the output of information from the video cameras stored and processed within the computer’s central processing unit. Thus, these particular cameras would be considered part of the computer for purposes of the exemption. The signal cables that you mention that connect the cameras to the computers would also be exempt.

A computer is used in the processing or storage of data or information “only if the ‘final output’ for a user or consumer is stored or processed data.” *See In the Matter of The Connelly Group, L.P.*, Dkt. No. 01-30-2-0262 (Oct. 7, 2011); *Policy Letter; Computer; Feb. 2, 2007*, available at <http://itrl.idr.iowa.gov/mx/hmPrintSetup.asp?NodeName=07300013>. The computer’s final output is data obtained through the video cameras. Therefore the computer is used in the storage of data.

The term “commercial enterprise” includes businesses conducted for profit. Iowa Code § 423.3(47)(d)(1). Fareway is a business conducted for profit and is therefore a commercial enterprise. All three elements of Iowa Code § 423.3(47)(a)(4) are met regarding the sale of video cameras. Again, more information regarding the other equipment mentioned in your email is required to come to a conclusion as to its taxability.

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 Iowa Admin. Code r. 701-7.24 is not binding upon the Department. If you have any additional questions regarding this matter please do not hesitate to contact me.

Sincerely,

Jane J. Severson

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