

BEFORE THE IOWA DEPARTMENT OF REVENUE
HOOVER STATE OFFICE BUILDING
DES MOINES, IOWA

IN THE MATTER OF	*	
	*	
YOGA MAT, INC.	*	DECLARATORY ORDER
1717 Dorchester Street	*	
Norwalk, Iowa 50211	*	
	*	
	*	
SALES AND USE TAX	*	DOCKET NO. 2019-300-2-0586
	*	

Pursuant to a Petition for Declaratory Order (“Petition”) filed with the Iowa Department of Revenue (“Department”) by Yoga MAT, Inc. (“Yoga MAT”), and in accordance with Iowa Code section 17A.9 and Iowa Administrative Code rule 701—7.24, the Director issues the following Order.

I. FACTS

The findings of fact are based on the Petition, other information provided by Yoga MAT, and additional facts relevant to this Order.

Yoga Six “is a [y]oga instruction and fitness franchis[or]” active “across the United States.” Pet. for Declaratory Order at 2, No. 2019-300-2-0586 (Sept. 3, 2019). Petitioner, Yoga MAT, is a Yoga Six franchisee that will operate yoga studios in West Des Moines, Iowa and Ankeny, Iowa. Each studio will offer yoga classes and sell clothing¹ to its customers.

¹ The Iowa Code “impose[s] a tax of six percent 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 § 423.2(1) (2020). Generally, clothing sold at retail is subject to Iowa sales tax. *See* Iowa Code § 423.1(59) (defining “tangible personal property” as “property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses.”); *but see* Iowa Code § 423.3(68) (exempting, under some circumstances, “[t]he sales price from the sale of an article of clothing designed to be worn on or about the human body” during Iowa’s annual sales tax holiday.). Yoga MAT explains that it

Yoga MAT's customers will be charged a fee to participate in yoga classes on either a "per-class basis or a monthly membership basis." *Id.* An individual, sixty-minute class will cost customers without a membership \$22.00. However, customers who purchase a monthly membership will be charged progressively reduced per-class rates based on the particular membership package that is purchased. Customers who purchase monthly memberships can choose from an unlimited membership which will cost \$116.00 per month, an "8 pack" membership costing \$106.00 per month, or a "4 pack" membership priced at \$66.00 per month. Resp. to Req. for Additional Info. ¶ 2a (Nov. 7, 2019).

Yoga MAT intends to offer classes that "range in difficulty from beginner to advanced" levels. Pet. for Declaratory Order at 2, No. 2019-300-2-0586 (Sept. 3, 2019). Yoga MAT will offer multiple classes, but those classes are not progressive and Yoga MAT's customers will be able to participate in any class regardless of their skill level. Yoga MAT's classes will only provide information about yoga techniques. Yoga MAT's classes will not provide additional information on other health- and wellness-related topics. Yoga MAT does not intend to offer services in settings other than the classes described in its Petition. For example, Yoga MAT will not provide one-on-one yoga training. Yoga MAT customers will only be permitted to use Yoga MAT's facilities during scheduled classes. Customers will not be able to "freely use the premises or equipment to exercise absent instruction and supervision" by Yoga MAT instructors. *Id.*

Each class will be "taught by a certified yoga instructor." *Id.* Yoga MAT will "hire certified yoga instructors" who have completed a comprehensive training program,

intends to sell clothing to its customers and that it will charge, collect, and remit applicable sales tax on clothing items. Resp. to Req. for Additional Info. ¶ 2d (Nov. 7, 2019).

but Yoga MAT itself will only provide an orientation for the instructors it hires. *See* Resp. to Req. for Additional Info. ¶¶ 4a, 4b, and 4c (Nov. 7, 2019); Resp. to Req. for Additional Info. ¶ A-2 (Feb. 6, 2020). Yoga MAT’s orientation is a three-day program that “teach[es] company policy and procedure.” *Id.*

While Yoga MAT will only provide an initial orientation itself, it will solely hire certified yoga instructors. When asked about the types of certification that would be required, Yoga MAT explained that, in general, to be a certified yoga teacher, an individual must complete at least 200 hours of training. While Yoga MAT may accept certifications from other organizations, the franchisor, generally requires franchisees to hire instructors who are certified by Yoga Alliance—a nonprofit organization that, among other things, provides credentials for yoga schools and yoga instructors—and Yoga MAT would adhere to those requirements. Resp. to Req. for Additional Info. ¶¶ A-4, B-1, and Attach. (Feb. 6, 2020).

Yoga Alliance, according to its website, “encourage[es] safe yoga instruction by promoting adoption of [its] quantitative Standards.” Yoga Alliance, *Our Mission* (July 10, 2018), https://www.yogaalliance.org/About_Yoga_Alliance. Yoga Alliance’s “standards” set out the requirements for various yoga training programs including 200-, 300-, and 500-hour training programs and specialized training programs for children’s and prenatal yoga. Yoga Alliance, *Yoga Alliance Standards*, https://www.yogaalliance.org/Become_a_Member/Member_Overview/Standards (last visited Jan. 5, 2020). Yoga teachers, in turn, receive Yoga Alliance credentials after they have completed a certified training program. Yoga Alliance, *Teachers*,

https://www.yogaalliance.org/Credentialing/Credentials_for_Teachers (last visited Jan. 5, 2020).

The least intensive training program—RYS 200—for example, is required to provide students with training in yoga techniques, teaching methods, human anatomy and physiology, the philosophy of yoga and yoga ethics, and a yoga practicum. Yoga Alliance, *Spirit of the Standards – RYS 200* (July 2016),

<https://www.yogaalliance.org/Credentialing/Standards/200-HourStandards>. RYS 200 programs are also required to have certified trainers teaching the courses and require students to meet a minimum number of “contact hours” with their trainers. *Id.* Students who “successfully complete[] a 200-hour yoga teacher training that is registered with Yoga Alliance” receive the RYT 200 certification. Yoga Alliance, *RYT 200*, https://www.yogaalliance.org/Credentialing/For_Teachers/RYT_200 (last visited Jan. 5, 2020). Once attained, an instructor with an RYT 200 certification maintains his or her credential by agreeing to follow Yoga Alliance’s Code of Conduct and other policies, completing a continuing education requirement, and paying applicable annual fees. *Id.*

II. ISSUE PRESENTED

The Petition presents one issue for consideration: whether the services—yoga classes— offered by Yoga MAT to its customers are subject to Iowa sales tax under Iowa Code chapter 423 and the associated administrative rules.

III. STANDARD OF REVIEW

A. Declaratory Orders and the Iowa Administrative Procedure Act

Iowa’s Administrative Procedure Act (“IAPA”) was enacted “to provide a minimum procedural code for the operation of all state agencies when they take action

affecting the rights and duties of the public.” Iowa Code § 17A.1(2) (2020). Under the IAPA, “[a]ny person may petition an agency for a declaratory order as to the applicability to specified circumstances of a statute, rule, or order within the primary jurisdiction of the agency.” Iowa Code § 17A.9(1)(a). The IAPA also describes agency rights and responsibilities with respect to declaratory order proceedings. Iowa Code § 17A.9(1)(b)–(8). Pursuant to Iowa Code section 17A.9(2), the Department adopted Iowa Administrative Code rule 701—7.24 which outlines department-specific rules governing declaratory orders.

The purpose of a declaratory order is to provide a “generally available means for persons to obtain reliable information about agency administered law as it applies to their particular circumstances.” *Sierra Club Iowa Chapter v. Iowa Dep’t of Transp.*, 832 N.W.2d 636, 647 (2013)(citing Arthur Earl Bonfield, *Amendments to Iowa Administrative Procedure Act, Report on Selected Provisions to Iowa State Bar Association and Iowa State Government*, 1–8 (1998)). Declaratory orders are not contested cases that “entitle[] parties affected by the agency action to an adversarial hearing” in order to “adjudicate disputed facts pertaining to particular individuals in specific circumstances.” *Greenwood Manor v. Iowa Dep’t of Pub. Health, State Health Facilities Council*, 641 N.W.2d 823, 834 (Iowa 2002); Iowa Code § 17A.12. Instead, the IAPA “contemplates declaratory rulings by administrative agencies on purely hypothetical sets of facts.” *City of Des Moines v. Pub. Emp’t Relations Bd.*, 275 N.W.2d 753, 758 (1979). As such, “[t]he procedure established by section 17A.9 allows persons to seek formal opinions on the effect of future transactions and arrange their affairs accordingly.” *Bennett v. Iowa Dep’t of Natural Res.*, 573 N.W.2d 25, 26 (Iowa 1997). Declaratory orders issued by an administrative agency do, however, have “the same

status and binding effect as any final order issued in a contested case proceeding.” Iowa Code § 17A.9(7). The Department’s rules governing declaratory orders are consistent with this understanding of the role of declaratory orders in administrative procedure. *See* Iowa Admin. Code r. 701—7.24(1)(b), (9)(a)(2), (9)(a)(6), (9)(a)(8), (12) (2020).

B. The Department’s Interpretive Authority

This Petition asks the Director to determine whether the services, namely yoga classes, offered by Yoga MAT are subject to Iowa’s sales tax. Iowa’s legislature has conferred upon the Director “the power and authority to prescribe all rules not inconsistent with [the statute], necessary and advisable for its detailed administration and to effectuate its purposes.” Iowa Code § 422.68(1). This authority extends to Iowa’s sales and use tax. Iowa Code § 423.42(1) (extending the authority granted in § 422.68 to Iowa Code chapter 423). The Iowa Supreme Court has consistently held that the legislature’s grant of authority includes the power to interpret Iowa’s sales and use tax statutes through its administrative rules. *City of Sioux City v. Iowa Dep’t of Revenue & Fin.*, 666 N.W.2d 587, 589–90 (Iowa 2003) (finding that the legislature delegated “expressly comprehensive” authority to interpret and administer the law to the Department); *City of Marion v. Iowa Dep’t of Revenue & Fin.*, 643 N.W.2d 205, 207 (Iowa 2002) (“We conclude from this statute [Iowa Code § 422.68(1)] that the matter under consideration has been vested in the discretion of the agency.”). The Department’s authority also extends to determinations of how the statute and agency rules apply to specific sets of facts. *Lowe’s Home Ctrs. LLC v. Iowa Dep’t. of Revenue*, 921 N.W.2d 38, 45 (Iowa 2018) (“Factual determinations as to sales tax obligations are vested in the Department.”); *Iowa Ag Constr. Co., Inc. v. Iowa State Bd. of Tax Review*, 723 N.W.2d

167, 173 (Iowa 2006) (“Because factual determinations are by law clearly vested in the agency, it follows that application of the law to the facts is likewise vested by a provision of the law in the discretion of the agency.”).

C. *Statutory Construction and Interpretation of Tax Exemption Statutes*

Generally, when interpreting a statute, the Department begins by “examin[ing] the language of the statute and determin[ing] whether it is ambiguous.” *Kay-Decker v. Iowa State Bd. of Tax Review*, 857 N.W.2d 216, 223 (Iowa 2014). If the statute’s language is unambiguous, the express language in the statute is controlling. *Id.* (citing *Rolfe State Bank v. Gunderson*, 794 N.W.2d 561, 564 (Iowa 2011)). “If, however, the statute is ambiguous,” the Department’s interpretation will seek to effectuate the legislature’s intent. *See id.* A statute “must [be] read . . . as a whole and give[n] ‘its plain and obvious meaning, a sensible and logical construction.’” *Id.* (quoting *Hamilton v. City of Urbandale*, 291 N.W.2d 15, 17 (Iowa 1980)). When ascertaining the meaning of undefined words in a statute, the Department may look to the words’ ordinary usage, dictionary definitions, use in similar statutes, and court rulings to aid in its interpretation. *Id.* (citing *Gardin v. Long Beach Mortg. Co.*, 661 N.W.2d 193, 197 (Iowa 2003)).

“Special additional principles [of statutory construction] apply in tax cases.” *Iowa Auto Dealers Ass’n v. Iowa Dep’t of Revenue*, 301 N.W.2d 760, 762 (Iowa 1981). When a statute imposes a tax, it “is construed liberally in favor of the taxpayer.” *Scott Cnty. Conservation Bd. v. Briggs*, 229 N.W.2d 126, 127 (Iowa 1975). “However, when the taxpayer relies on a statutory exemption, *the exemption* is construed strictly *against the taxpayer* and liberally in favor of the taxing body.” *Iowa Auto Dealers Ass’n*, 301 N.W.2d at 761 (emphasis added). This is so because “exemptions from taxation are

generally disfavored as contrary to the democratic notions of equality and fairness, and exist solely due to legislative grace.” *Van Buren Cnty. Hosp. & Clinics v. Bd. of Review of Van Buren Cnty.*, 650 N.W.2d 580, 586 (Iowa 2002). As such, any doubts as to the applicability of an exemption to a taxpayer must be “resolved against [allowing the] exemption.” *Iowa Auto Dealers Ass’n*, 301 N.W.2d at 762–63 (citing *Iowa Methodist Hosp. v. Bd. of Review*, 252 N.W.2d 390, 391 (Iowa 1977)).

IV. ANALYSIS AND CONCLUSION

A. Iowa Code Section 423.2(6)(v) and Iowa Administrative Code rule 701— 26.24

The Iowa Code (“Code”) imposes a sales tax of six percent on “[t]he sales price of any of the . . . enumerated services” listed in Iowa Code section 423.2(6). Iowa Code § 423.2(6). Included in the listed services that are subject to Iowa sales tax are “all commercial recreation.” Iowa Code § 423.2(6)(v). While the Code itself does not define “commercial recreation,” *see* Iowa Code § 423.1, the Department’s long-standing administrative rules provide guidance on this issue. Iowa Admin. Code r. 701—26.24.

The Administrative Code defines “recreation” as “all activities pursued for pleasure, including sports, games and activities which promote physical fitness, but shall not include admission otherwise taxed under Iowa Code section 422.3.” *Id.* The rule also makes clear that “[p]ersons providing facilities for recreation for a charge are rendering, furnishing or performing a service, the gross receipts of which are subject to tax” in Iowa. *Id.* (emphasis added).

The rule, however, draws a distinction between taxable “commercial recreation” and nontaxable “instruction in recreational activities.” *Id.*² The rule states that, in circumstances where “a person provides both facilities for recreation and instruction in recreational activities, *charges for instruction in the recreational activities shall not be subject to tax*” if the instruction meets certain criteria. *Id.* The rule then lays out the three criteria that must be met in order for the instruction to be nontaxable. *Id.* First, instruction charges must be “contracted for separately, separately billed, and reasonable in amount when compared to the taxable charges of providing facilities for recreation.” *Id.* Second, individuals “receiving the instruction must be under the guidance and direction of a person training them in how to perform the recreational activity[;]” individuals cannot have substantial time to engage in the recreational activity without supervision. *Id.* Additionally, “instruction should be received in what would ordinarily be thought of as a ‘class’ with a fixed time and place for meeting[.]” and with the instructor and pupils segregated from individuals participating in recreational activities “insofar as this is possible.” *Id.* The third and final criterion requires that “[t]he ‘instruction’ must impart the learner a level of knowledge or skill in the recreational activity which would not be known to the ordinary person engaging in the recreational activity without instruction” and “the person providing the instruction must have received some special training in the recreational activity taught.” *Id.* When the service provided meets all of these conditions, the service is determined “to be exempt from tax.” *Id.*

² Iowa Administrative Code rule 701—26.24, when adopted, was intended to implement Iowa Code section 423.2(6)(v)’s predecessor statute. *See* Iowa Code § 422.43(11) (2003). The prior statute shares substantially similar language with the current statute and the Department has not issued any contrary rules that would indicate a change in its interpretation of the statute or the associated rule.

B. *Yoga MAT's Yoga Classes Are Not Subject to Tax under Iowa*

Administrative Code rule 701—26.24

As explained above, the Iowa Code imposes a sales tax on the enumerated service of “commercial recreation.” Iowa Code § 423.2(6)(v). The Administrative Code, in turn, defines “recreation” as, among other things, “activities which promote physical fitness.” Iowa Admin. Code r. 701—26.24. Yoga undoubtedly falls within the Department’s long-standing definition of recreation. Yoga MAT characterizes yoga as an activity which promotes physical fitness. Pet. for Declaratory Order at 2, No. 2019-300-2-0586 (Sept. 3, 2019). As it explains in its Petition, Yoga MAT will be operating two Des Moines-area studios as a franchisee of Yoga Six, “a [y]oga instruction and *fitness* franchise.” *Id.* (emphasis added). Yoga MAT further explains that, because customers will only be able to use Yoga MAT’s facilities during scheduled classes, they will not be permitted to “freely use the premises or equipment *to exercise* absent instruction and supervision.” *Id.* (emphasis added). Yoga Six’s website also describes a number of physical benefits that may result from yoga including “strength, agility, [f]lexibility and balance.” *See* Yoga Six, *Why Yoga Six?*, <https://www.yogasix.com/classes> (last visited Jan. 5, 2020). More generally, in the Western context, yoga is normally understood as “a system of *exercising* involving . . . postures, breathing, etc.” derived from “a mystic and ascetic Hindu tradition.” Webster’s New World College Dictionary 1661 (Agnes, ed., 2006) (emphasis added). As such, yoga is “recreation” within the meaning of Iowa Administrative Code rule 701—26.24 and “persons providing facilities for [yoga] for a charge are rendering, furnishing, or performing a service [that is] subject to tax.” Iowa Admin. Code. r. 701—26.24; *see also*, Iowa Code § 423.2(6)(v).

However, as described, the administrative rules distinguish between taxable “commercial recreation” and nontaxable “instruction in recreational activities.” Iowa Admin. Code r. 701—26.24. The administrative rule provides that “[i]f a person *provides both* facilities for recreation and instruction in recreational activities, *charges for instruction* in the recreational activities *shall not be subject to tax*” if three criteria are met. *Id.* Here, Yoga MAT will provide both the facilities for recreation—the yoga studios—*and* instruction in the recreational activity—yoga classes. For the reasons described below, the Director finds that Yoga MAT’s classes meet the three criteria listed in Iowa Administrative Code rule 701—26.24(1)–(3) and, as such, the charges for the yoga classes are not subject to Iowa sales tax because they are charges for instruction in a recreational activity.

1. Yoga MAT’s Instruction Charges Are Separately Contracted For

The first criterion that must be met to exempt the amount charged for instruction in a recreational activity from sales tax is that “[t]he instruction charges are contracted for separately, separately billed, and reasonable in amount when compared to the taxable charges of providing facilities for recreation.” Iowa Admin. Code r. 701—26.24(1). The rule also provides examples to illustrate its application. *Id.* In one example, an ice skating rink offers three plans for its customers to purchase. *Id.* The first plan, which resembles the facts presented in this case, only allows skaters to participate in ice skating classes and is not subject to sales tax because it is exempt instruction in a recreational activity. *Id.*

As mentioned, the services provided by Yoga MAT are most similar to the first plan described in the example. *See id.* Yoga MAT’s customers, like the ice skaters in the

example, will only utilize the facilities when receiving instruction, will not use the facilities recreationally, and are only paying for the instruction they receive. As such, the membership and class fees paid by Yoga MAT's customers are "contracted for separately, separately billed, and reasonable in amount when compared to the taxable charges of providing facilities for recreation." *Id.*; see also *In re Tice Group Inc. d/b/a Club Pilates*, Iowa Dep't of Revenue, Dec. Ruling No. 2019-300-2-0020 (2019) [hereinafter *Club Pilates*] (finding that the only fees charged by a Pilates studio—for membership plans and individual classes—were "separately itemized and contracted for" and that the fees, ultimately, were exempt from Iowa sales tax. *Id.* at 5). Yoga MAT's services meet the first criterion described in the rule.

2. Yoga MAT Instruction Occurs Under Supervision and in a Class Setting

The second criterion required to exempt the amount charged for instruction in a recreational activity from sales tax is that "the persons receiving the instruction must be under the guidance and direction of a person training them in how to perform the recreational activity." Iowa Admin. Code r. 701—26.24(2). Additionally, the instruction must occur in "what would ordinarily be thought of as a 'class' with a fixed time and place for meeting." *Id.* However, the instruction need not occur in a "classroom" and instruction can take place even "if complete or partial segregation [of persons receiving instruction from persons engaging in recreational activity without instruction] is impossible." *Id.*

Here, Yoga MAT's customers will only have "access to its facilities during classes taught by its instructors" and they will not be permitted to "use the premises or

equipment to exercise absent instruction and supervision.” Pet. for Declaratory Order at 2, No. 2019-300-2-0586 (Sept. 3, 2019). Because Yoga MAT’s customers will always be supervised and directed by its instructors and will only be able to access the facilities to participate in scheduled classes, the service offered by Yoga MAT meets the second criterion described in the rule.

3. Yoga MAT’s Instruction Imparts the Learner with Requisite
Knowledge and Instructors Are Specially Trained

The third criterion listed in the administrative rules that must be satisfied in order to exempt the charges for instruction in a recreational activity from Iowa sales tax is that “[t]he ‘instruction’ must impart to the learner a level of knowledge or skill in the recreational activity which would not be known to the ordinary person . . . without instruction.” Iowa Admin. Code r. 701—26.24(3). Additionally, “the person providing the instruction must have received some special training in the recreational activity taught.” *Id.*

Here, Yoga MAT’s instructors will possess the required level of training to exempt Yoga MAT’s instruction from Iowa sales tax. As described above, Yoga MAT will only hire “certified yoga instructors.” Pet. for Declaratory Order at 2, No. 2019-300-2-0586 (Sept. 3, 2019). As Yoga MAT explained to the Department, the “industry standard” for trainer certification, and the training required by Yoga MAT’s franchisor, is, at minimum, 200 hours of training. Pet. for Declaratory Order at 2, No. 2019-300-2-0586 (Sept. 3, 2019); Resp. to Req. for Additional Info. ¶¶ A-4, B-1, and Attach. (Feb. 6, 2020). Additionally, the training required to become a certified yoga instructor described

by Yoga MAT involves coursework in yoga techniques and teaching methods and includes a yoga instruction practicum.

In *Club Pilates* and *CycleBar*, the Director evaluated instructor training. See *In re CJ Health d/b/a CycleBar Jordan Creek*, Iowa Dep’t of Revenue, Dec. Ruling No. 2019-300-2-0291 (2019) [hereinafter *CycleBar*]; *Club Pilates*, Iowa Dep’t of Revenue, Dec. Ruling No. 2019-300-2-0020 (2019). In *Club Pilates*, the Director found that instructors exhibited specialized knowledge of the recreational activity in which they were providing instruction. *Club Pilates*, Iowa Dep’t of Revenue, Dec. Ruling No. 2019-300-2-0020 at 6 (2019). There, the instructors were required to “undergo extensive training in Pilates instruction” and then participate in “in-studio apprentice training.” *Id.* Eventually, to act as an instructor at the Pilates studio, each instructor was required to “complete Club Pilates’s 450-plus-hour certification program.” *Id.*

In contrast, the Director determined that the instructor training in *CycleBar* was insufficient, both quantitatively and qualitatively, to exempt the training from Iowa tax because, in that case, the 32-hour “boot camp training” covered various topics that did not deal with the recreational activity at issue. *CycleBar*, Iowa Dep’t of Revenue, Dec. Ruling No. 2019-300-2-0291 at 10 (2019). While the instructors in *CycleBar* did receive some training in “stationary-cycling form and proper weight-training form,” the Director found that a significant portion of the training was focused on other topics—namely, motivation techniques, social media engagement, using electronic and computer systems, and creating a “branded 12-song sequence” to be used as a playlist during cycling classes. *Id.*

Here, the training required to be an instructor by Yoga MAT is more similar to the training for instructors in *Club Pilates* than the training described in *CycleBar*. In this

case, instructors will be required, at minimum, to complete 200 hours of training, more than six times as many hours as required in *CycleBar*. *See Id.* (describing CycleBar’s 32-hour training program and noting that “the instructors in [*Club Pilates*] were also required to complete over [ten] times more training hours in a specialized exercise regime” than CycleBar instructors). Additionally, the training required to become a Yoga MAT instructor centers on yoga techniques and teaching methods. For instance, the certification programs accepted by Yoga MAT require students to complete courses on yoga techniques, including poses, breathing methods, chanting, and meditation; human anatomy and physiology, including bodily systems, “energy anatomy,” and application of anatomy and physiology to yoga practice; the philosophy and ethics of yoga, including traditional yoga texts, concepts central to “[y]oga lifestyle,” and ethics of yoga instruction; and teaching methodologies. Yoga Alliance, *Spirit of the Standards - RYS 200* (July 2016), <https://www.yogaalliance.org/Credentialing/Standards/200-HourStandards>.

In this case, the in-depth instructor training clearly covers topics that are beyond the ken of an ordinary individual and gives the instructor special knowledge in the recreational activity. Additionally, unlike the instructor training described in *CycleBar*, the instructor training here centers squarely on the recreational activity being taught, rather than on branding, marketing, and social media engagement.

Additionally, Yoga MAT’s classes will “impart the learner a level of knowledge or skill in the recreational activity which would not be known to the ordinary person . . . without instruction.” Iowa Admin. Code r. 701—26.24(3). In the *CycleBar* and *Club Pilates* Declaratory Orders, the Director addressed this issue. *See CycleBar*, Iowa Dep’t of Revenue, Dec. Ruling No. 2019-300-2-0291 (2019) (finding that individuals do not

need specialized instruction to understand how to operate stationary bicycles and that instructors' primary purpose was to provide encouragement and motivation rather than instruction); *Club Pilates*, Iowa Dep't of Revenue, Dec. Ruling No. 2019-300-2-0020 (2019) (determining that training in Pilates "involves specialized knowledge not otherwise known by persons engaging in exercise." *Id.* at 6.). Here, the services offered by Yoga MAT are similar to those offered in *Club Pilates*.

As in *Club Pilates*, Yoga MAT will offer classes for its customers "that range in difficulty from beginner to advanced." Pet. for Declaratory Order at 2, No. 2019-300-2-0586 (Sept. 3, 2019); *Club Pilates*, Iowa Dep't of Revenue, Dec. Ruling No. 2019-300-2-0020 (2019) ("Tice's Studio offers to its member four 'levels' of Pilates instruction that range in difficulty" *Id.* at 6.). Further, Yoga MAT's certified instructors will use their specialized training to "impart the learner[s] a level of knowledge or skill in" yoga that would not be available absent instruction. Iowa Admin. Code r. 701—26.24(3). For example, Yoga MAT's instructors use their training in yoga poses, human anatomy, and physiology to teach students proper posture and breathing techniques. Resp. to Req. for Additional Info. ¶¶ 1, 2 (Feb. 26, 2020). Additionally, an instructor's training enables him or her to adjust training sequences in order to respond to "contraindications" requiring adaptation for yoga students with unique needs. *Id.* at ¶ 1. Further, Yoga MAT's instructors also learn "teaching methodolog[ies]" that ensure students are able to receive "safe sequencing" and that give instructors the skills necessary to provide "hands on adjustments" to students to improve their students' yoga form. *Id.* at ¶ 3.

In this case, the instructors are able to transmit to their students knowledge and skills in yoga that are not known to the average person without instruction. As such,

Yoga MAT's service meets the third criterion described in the rule and is exempt from sales tax.


ORDER

THEREFORE, based on the facts presented, the foregoing reasoning, and the applicable provisions of law, the issues raised in the Petition for Declaratory Order are as answered above.

Issued at Des Moines, Iowa on this 27th day of April, 2020.

IOWA DEPARTMENT OF REVENUE

BY



Craig Paulsen, Director

CERTIFICATE OF SERVICE

I certify that on this 27th day of April, 2020, I caused a true and correct copy of the Declaratory Order of the Director of Revenue to be forwarded by U.S. Mail or delivered to the following persons:

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Hollie Welch, Executive Secretary
Iowa Department of Revenue