UT510 Manual

Vehicles Subject to Registration

A 5% motor vehicle one-time registration fee is imposed on the purchase price of a vehicle subject to registration. This fee is due from the purchaser at the time of registration and is payable to the appropriate county treasurer or the Iowa Department of Transportation. Dealers may collect the fee from their customers at the time of purchase and forward it to the appropriate county treasurer, but they are not required to do so.

A 5% motor vehicle one-time registration fee is also imposed on the lease of a qualified vehicle and is based on the "lease price" of the vehicle. To qualify, a vehicle must be available to be leased for 12 months or longer and have a gross registered weight rating of less than 16,000 pounds. This one-time registration fee is paid to the appropriate county treasurer, Iowa Department of Transportation, or directly to the Iowa Department of Revenue.

Please be advised this Manual is intended as a general guide to common questions. The application of tax law is fact-specific and, therefore, the Department could take a position contrary to that stated in the Manual. Any advice or opinion given 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.

We make every attempt to keep the Manual current; however, changes in law or policy may not be immediately reflected.

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AUTHORITY FOR IMPOSING THE ONE-TIME REGISTRATION FEE

The Iowa Department of Revenue has jurisdiction regarding the one-time registration fee imposed on vehicles. The Iowa Department of Transportation has jurisdiction regarding vehicle title and registration issues. If there is a title and/or registration issue, the one-time registration fee issue cannot be answered until the title and/or registration issue is resolved.

Factors Used to Determine if One-Time Registration Fee Applies:

1. Is it a vehicle subject to registration? Does the vehicle have county plates?
2. Is there a change of ownership? Does the name on the title change?
3. Is there consideration? Do the seller and buyer receive something of value or have given something up for the vehicle?

All three conditions must be met for the one-time registration fee to be imposed.

COMMON TERMS

"Consideration" — Not only a gain to one contracting party, but also a detriment, forebearance, inconvenience, or liability assumed by the other. See *Homesteader's Life Association v Solinger*, 235 N.W. 485 (Iowa 1931). Consideration is anything of value. Both or all parties receive something of value. It can be a gift of money, exchange of services, or the act of forbearance. A waiver to allow for repossession of a vehicle upon default of payment is sufficient to create consideration ("forbearance").

A vehicle transferred from a child to a parent or conversely, from a parent to a child, may be subject to the one-time registration fee if any consideration is involved. If the vehicle is transferred from the child to the parent and the parent assumes a loan on the title to the vehicle or secures the loan with the vehicle, consideration is present and the one-time registration fee is due on the loan balance.

"Fair Market Value" — Unless sufficient documentation is provided to support a different value, fair market value is the average retail value found in the National Automobile Dealers Association (NADA) Official Used Car Guide.

"Gift" — A voluntary transfer of personal property without consideration. A gift takes effect at once and is not dependent upon any agreement or contingency occurring. See *Black's Law Dictionary*.

"Manufactured housing" — Housing which is factory built to specifications required by 42 U.S.C. section 5403, and displays a seal from the United States Department of Housing and Urban Development.

"Mobile home" — Any vehicle without motive power used or manufactured or constructed to use as conveyance on the public streets and highways and designed, constructed, or reconstructed to permit the vehicle to be used as a place for human habitation by one or more persons.

"Motor vehicle" — A vehicle which is self-propelled, but not including vehicles known as trackless trolleys, which are propelled by electric power obtained from overhead trolley wires and are not operated upon rails.

"One-time registration fee" – 5 percent of the purchase/lease price of a registered vehicle paid at the time of initial registration. Imposed each time ownership changes if there is consideration.

"Person" — Any individual, firm, partnership, joint venture, association, corporation, municipal corporation, estate, trust, business trust, receiver, or any other legal entity.

"Purchase" — Any transfer, exchange, conditional or otherwise, in any manner or by any means whatsoever, for a consideration.

“Purchase price” — The total amount for which tangible personal property is sold, valued in money, whether paid in money or otherwise:

a. Cash discounts on sales are not included in the purchase price. A cash rebate provided by a motor vehicle manufacturer is not included in the purchase price if the rebate is applied to the purchase price of the vehicle.

b. If tangible personal property is traded toward the purchase price of a vehicle, the purchase price is the portion payable in money to the retailer if:

   1. The tangible personal property traded to the dealer is the type of property normally sold in regular course of the dealer’s business, and
   2. The tangible personal property traded to the dealer is intended by the dealer to be ultimately sold at retail or is intended to be used by the dealer in the re-manufacturing of a like item.

c. In transactions between persons, neither of which is a dealer of vehicles subject to registration, in which a vehicle subject to registration is traded toward the purchase price of another vehicle subject to registration:
   The purchase price is the difference between the total purchase price and the amount of the traded vehicle.

d. The purchase price includes all accessories, additional equipment, enumerated services, freight-in, mandatory assembly/set-up fees, and manufacturer’s taxes.

e. The purchase price subject to the one-time registration fee does not include the charge commonly known as document fees. Document fees are charges that most dealers impose for the service of processing the paper work involved in the purchase of a vehicle.

“Use” — The exercise by any person of any right or power over tangible personal property incident to the ownership of that property. It does not include processing or the sale of that property in the regular course of business.

For the purpose of proper administration and to prevent evasion of the one-time registration fee, evidence that tangible personal property was sold by any person for delivery in this state is prima facie evidence that such tangible personal property was sold for use in this state.

“Use Tax” — Imposed upon manufactured housing and mobile homes at the rate of 5 percent. The tax is based on 20 percent of the purchase price.

“Vehicles subject to registration” — A vehicle subject to registration pursuant to Iowa Code section 321.18.

EXPLANATIONS

Casual Sales

The casual sale exemption does not apply to vehicles subject to registration.

Trade-ins and Trades

A trade is a type of sales transaction in which only the owner(s) with legal title to a vehicle can transfer that vehicle. The owner(s) is the person(s) named on the vehicle title.

For the trade-in value to be allowed as a reduction to the purchase price, the name(s) on the title and registration of the vehicle being purchased must be the same name(s) on the title and registration of the vehicle being traded-in.

A vehicle can be used as a trade-in for the purchase of more than one other vehicle. Trade-ins are not limited to just a trade-in on a one-for-one basis.

Multiple Name Trades

If multiple names are on the title and registration and are listed with "or" separating the names, any one of the individuals may use the vehicle for trade. The reason is that "or'" means each person or entity (even a business), on the title and registration owns 100 percent of the vehicle. When that vehicle is traded in toward the purchase of another vehicle and the new vehicle is in the name of one or all the names on the title of the traded vehicle, the trade-in allowance is allowed.

Note: The "trade-in" may be allowed, but the one-time registration fee would be due if there is any consideration involved.

The following trade-ins are allowed for one-time registration fee purposes:

TITLE TO TRADED VEHICLE	TITLE OF NEWLY ACQUIRED VEHICLE
Bob or Mary or Jim	**Bob,** **Bob or Mary,** **Bob and Mary** **Bob or Mary, or Jim** **Bob and Mary and Jim** **Mary or Jim** **Mary and Jim** **Jim** **Mary** **Bob or Jim** **Bob and Jim**
Mary or Jane	**Mary** **Jane or Mary** **Jane and Mary** **Jane**

The trade-in credit will not be allowed if a person not on the title of the traded vehicle is added to the newly-acquired vehicle.

The following trade-ins are not allowed for one-time registration fee purposes:

TITLE TO TRADED VEHICLE	TITLE OF NEWLY ACQUIRED VEHICLE
Mary or Bob	Mary and Jane Mary or Jane
Mary or Bob	Mary, or Bob, or Jill

Trades Involving Relatives and Non-Relatives

Trades involving spouses where the traded vehicle and the acquired vehicle are kept titled in the names of the spouses in some form and no outside party is named on the title are allowed. As long as one of the spouses is on the title of the vehicle to be traded, regardless if there is an "and' or an "or," the trade is allowed. However, note that if an individual's name, that is not a party to the marital relationship, is put on the title of the newly-acquired vehicle then the one-time registration fee is due on the entire purchase price with no credit for the trade-in allowance.

Examples of allowable trades for one-time registration fee purposes:

TITLE OF VEHICLE TO BE TRADED	TITLE OF NEWLY ACQUIRED VEHICLE
SPOUSE A OR SPOUSE B	SPOUSE A OR SPOUSE B SPOUSE A AND SPOUSE B SPOUSE A SPOUSE B
SPOUSE A AND SPOUSE B	SPOUSE A AND SPOUSE B SPOUSE A OR SPOUSE B SPOUSE A SPOUSE B
SPOUSE A	SPOUSE A SPOUSE A AND SPOUSE B SPOUSE A OR SPOUSE B SPOUSE B
SPOUSE B	SPOUSE A SPOUSE A AND SPOUSE B SPOUSE A OR SPOUSE B SPOUSE B

The trade of a vehicle in the name of a grandparent, parent, or child, including adopted and step relationships, is allowed as long as the name of one of the family members from the title of the traded vehicle carries through on the title of the newly-acquired vehicle. This allowance is only for lineal relationships (up and down the trunk of the family tree) and does not extend to non-lineal relatives (the branches of the family tree). Consequently, this allowance is not extended to brothers, sisters, aunts, uncles, or cousins.

Examples of Allowable Trades for one-time registration fee purposes:

TITLE OF TRADED VEHICLE	TITLE OF NEWLY ACQUIRED VEHICLE.
GRANDPARENT A OR GRANDPARENT B	GRANDPARENT A OR GRANDCHILD
PARENT A OR PARENT B	PARENT A OR CHILD
PARENT A OR CHILD	CHILD

Examples of Trades Not Allowed for one-time registration fee purposes:

TITLE OF TRADED VEHICLE	TITLE OF NEWLY ACQUIRED VEHICLE
GRANDPARENT A OR GRANDPARENT B	GRANDCHILD
PARENT A OR PARENT B	CHILD
PARENT A OR PARENT B	SON-IN-LAW
SPOUSE A OR SPOUSE B	COUSIN

Business Trades and Transfers

The trade-in credit even applies if one of the names on the traded vehicle is in the business name and the names are joined by "or." However, like the individual examples given previously, the addition of a third party that was not on the title of the traded vehicle results in the trade not being allowed for one-time registration fee purposes.

The following examples are allowable trade-ins for one-time registration fee purposes:

TITLE TO TRADED VEHICLE	TITLE OF NEWLY ACQUIRED VEHICLE
Corp. A or John Smith	John Corp. A Corp. A or John Smith

The following are examples of trade-ins that are not allowed for one-time registration fee purposes:

TITLE TO TRADED VEHICLE	TITLE OF NEWLY ACQUIRED VEHICLE
Corp. A or John Smith	Corp. A or John or Mary Corp. A or Mary

Except in the case of lineal relationships, when "and" is between two or more names on a title to a vehicle that was traded, no trade-in credit is allowed unless the newly-acquired vehicle is in the same names as the traded vehicle.

When a business is involved, the names on the title of the trade-in and newly-acquired vehicle generally must be the same, except for sole proprietorships. (A "single-member LLC," where the LLC income is reported on Schedule C of the owner's personal income tax return, is treated like a sole proprietorship). A trade-in credit is not allowed when a corporation that owns a vehicle trades that vehicle in on behalf of a stockholder to purchase a new vehicle in the stockholder's name or vice versa. These are separate entities. The trade-in allowance cannot be used to reduce the amount on which the one-time registration fee is due. Therefore, the one-time registration fee is due on the full purchase price of the vehicle.

Sole proprietorships (including "single-member LLCs") and individuals are treated as one and the same for one-time registration fee purposes. As a result, the owner of the sole proprietorship can trade a vehicle in his personal name toward the purchase of a vehicle, and the new vehicle can be put in his name, the sole proprietorship name, or both.

Used Car Dealers Purchasing New Cars and Trades

Used car dealers cannot purchase new cars exempt from the one-time registration fee through the resale exemption unless the dealer is also licensed to sell new cars.

A used car dealer may use a trade-in credit by trading one or several cars in inventory for the purchase of a new car. So, if a used car dealer does trade a vehicle(s) toward the purchase price of a new vehicle, the one-time registration fee is due on the purchase price of the vehicle minus the trade-in allowance.

Trade-ins to Dealers

When a person trades with a dealer, the purchase price is the portion paid in money if the following conditions are met:

a. The tangible personal property being traded is the type normally sold in the regular course of the dealer's business, and

b. The property traded is intended to be sold at retail or is intended to be used in the re-manufacturing of a like item.

"Regular course of business" means a retailer makes sales of the same type of item on a recurring basis.

Example:

John trades a boat toward the purchase of a new car. The car's purchase price is $10,000, and the dealer allows a trade-in allowance of $5,000 for the boat. The dealer is not regularly engaged in the business of selling boats. The trade-in amount of $5,000 for the boat does not reduce the amount subject to the one-time registration fee. The one-time registration fee is due on $10,000.

Example:

Mike is purchasing a new car for $40,000 and trades in a combine. The dealer is regularly engaged in the business of selling cars and farm equipment. The dealer allows a trade-in of $30,000 for Mike's combine. Therefore, the price of the car is $40,000 minus the $30,000 trade allowance. Mike pays the dealer the difference of $10,000. Since the dealer is regularly engaged in the business of selling farm equipment, the $30,000 trade-in allowance is not subject to the one-time registration fee. The one-time registration fee is due on $10,000.

Example:

On June 24, Cathy purchases a new truck and uses a truck she owns as a trade. Cathy goes to Truck Auto to purchase the new truck. The truck Cathy wants has to be ordered from the manufacturer and will take six months for delivery. Truck Auto prepares a purchase order showing the retail price of $50,000 and a trade-in allowance for Cathy's truck of $20,000. Since the truck being ordered will not be delivered for six months, Truck Auto allows Cathy to drive her truck until the new truck arrives. Truck Auto still allows Cathy the $20,000 trade-in allowance regardless of the additional miles Cathy may put on her traded truck. Since the purchase order for the new truck shows a $20,000 trade allowance, the one-time registration fee is imposed on the $30,000.

Example:

George owns a car dealership corporation and a farm tractor corporation. Cecil wishes to purchase a car worth $40,000 from the car dealership. Cecil uses a tractor as trade, and the car dealership allows a trade-in allowance of $40,000. Cecil furnishes no money. Since Cecil's tractor was traded to the car dealership and not the tractor dealership, the trade-in allowance cannot be used for one-time registration fee purposes. The one-time registration fee is imposed on $40,000.

Example:

Sarah owns two cars and wants to trade both cars toward the purchase of a new car. Honest Abe's dealership allows a trade-in allowance of $5,000 for the first car and $7,000 for the second car, for a total trade-in allowance of $12,000. The new car purchase price is $14,000. Since Honest Abe's is in

the business of selling used cars, both cars can be used as a trade-in allowance. The one-time registration fee is imposed on $2,000.

Sometimes dealers will allow a "trade-in" amount that will pay off any outstanding loan balance to get a clear title to the vehicle being traded. For one-time registration fee purposes, the total trade-in amount will be deducted from the purchase price. The amount the purchaser owes on the traded-in vehicle is not relevant in determining the purchase price of the new vehicle.

Example 1:
An individual purchases a vehicle for $35,000 and trades in a vehicle as part of the transaction. The dealer gives a trade-in amount of $15,000 based on the actual value of the vehicle being traded. The individual still owes $10,000 on the traded vehicle. A portion of the $15,000 trade value is used to pay off the $10,000 remaining loan balance. In this example, $15,000 is allowed as a trade for one-time registration fee purposes.

Example 2:
In a situation where an individual "trades down" a car, for instance by purchasing a vehicle for $20,000 and trades in a vehicle valued at $30,000, and the individual has a loan on the vehicle, the car dealership may give enough of a trade-in allowance to pay off the loan and have money left over to pay on the new vehicle. Even though the trade-in allowance may be quite large, the full amount of the trade should be allowed for one-time registration fee purposes. In this case, the trade-in allowance is $30,000, and since that exceeds the price of the new vehicle, no one-time registration fee is due.

Trades between persons

When vehicles subject to registration are traded between persons (including corporations or other legal entities), neither of which is a dealer, the purchase price is the difference between the prices of the vehicles. The trade-in allowance is only given for vehicles subject to registration, not other items.

Example:

John Doe has an automobile with a value of $2,000. His neighbor, Bill Jones, has an automobile valued at $3,500. They decide to trade automobiles. John pays Bill $1,500 cash difference. John will pay the one-time registration fee on $1,500. Bill's purchase is exempt from the one-time registration fee.

Example:

Jane has an automobile with a value of $5,000. Her friend Jim also has an automobile valued at $5,000. They decide to trade automobiles. Jane and Jim make an even trade, automobile for automobile with no money changing hands. The one-time registration fee is not due on either automobile because the exchange is even in value.

Example:

Joe has an automobile with a value of $5,000. His friend Ed has an automobile valued at $3,000 and a forklift valued at $2,000. They decide to trade these three items. Joe and Ed make an even trade, Joe's automobile for Ed's automobile and Ed's forklift with no money changing hands. Ed will pay the one-time registration fee on $2,000. Joe's purchase is exempt from the one-time registration fee.

Co-signors
"A" has a trade-in and the title of the trade-in is in "A's" name alone. "A" trades this car in for another car. "A" obtains financing on the vehicle; however, the financial institution has two conditions before financing is allowed. First, "A" must have a co-signor on the loan. Second, the name of the co-signor must also be on the title of the new vehicle "A" is purchasing.

If the financial institution requires a co-signor for the loan and also requires that the co-signor's name be on the title of the new vehicle, then the value of the trade-in will be allowed to reduce the price of the vehicle for one-time registration fee purposes. The trade will only be allowed if those two things are required by the financial institution.

This only applies to co-signors who are individuals. If a party to the transaction is a corporation or other legal entity, the trade-in value will not be allowed.

Refunds – Corrections of Errors

If the one-time registration fee is mistakenly paid, it may be refunded. The owner of the vehicle must file a Claim for Refund (form IA 843) directly with the Iowa Department of Revenue within three years after the one-time registration fee payment became due or one year after the payment was made, whichever is later.

Registration by Manufacturers

Manufacturers who title and register vehicles in Iowa from an MSO (Manufacturers Statement of Origin) are allowed to pay the one-time registration fee based on 50 percent of the fabricated cost of the vehicle. The 50 percent one-time registration fee base was the result of an agreement between vehicle manufacturers and the Iowa Department of Revenue.

Note: Registrations made by subsidiaries of manufacturers are taxed on 100 percent of the purchase price.

Rebates

Manufacturers' rebates can be used to reduce the purchase price of a vehicle subject to the one-time registration fee. **To qualify, all of the following must be present:**

1. A rebate must be a return of an amount paid (or required to have been paid) by the purchaser;
2. The rebate must be in the form of cash;
3. The rebate must be offered by a manufacturer, which is defined as any person or entity that fabricates, assembles, or combines materials and parts to create a vehicle subject to registration in Iowa;
4. The rebate must be applied to the purchase price of the vehicle.
5. The rebate is strictly a transaction between a manufacturer and a purchaser:
    a. The rebate must be from an entity acting as a manufacturer of the vehicles when offering the rebate. It cannot be from a vehicle manufacturer engaging in other activities, such as a manufacturer acting in the capacity of a credit card issuer or a financing program; and
    b. The purchaser must be in the process of purchasing the vehicle when the rebate is given. The rebate cannot be given to a customer in a situation similar to the credit card rebate program, in which the customer earns the right to the rebate over a period of time.

Credit cards issued by Ford Motor and General Motors that are used as a rebate toward the price of a Ford or GM vehicle are not a manufacturer's rebate. These types of rebates cannot be used toward reducing the purchase price of a vehicle subject to the one-time registration fee.

Example:

Price of Ford vehicle.....$30,000
Less trade-in.....$10,000
Less credit card "rebate".....$ 1,000
Purchase price.....$19,000
One-time registration fee is due on $20,000 value.

Vehicles Returned to the Seller / Dealer

When a vehicle subject to registration is sold and later returned to the seller and the "entire purchase price" is refunded by the seller, the purchaser is entitled to a refund of the one-time registration fee paid. The "entire purchase price" means 100 percent not including the one-time registration fee, title, and registration fees. To obtain a refund, the purchaser must be able to show that the entire purchase price was returned and provide proof that the one-time registration fee had been paid. The purchaser must send proof with a completed form IA 843 to the Iowa Department of Revenue.

Vehicles Returned to the Manufacturer under the Iowa Lemon Law — Iowa Code Chapter 322G

If a vehicle manufacturer reimburses a purchaser for the one-time registration fee paid on a returned defective vehicle, the manufacturer may obtain a refund from the Iowa Department of Revenue. Proof that the one-time registration fee was paid and the purchaser reimbursed in accordance with the provisions of Iowa Code chapter 322G must be sent to the Iowa Department of Revenue with a completed form IA 843.

Repossessions

Repossessions can be made by dealers, financial institutions, or by individuals. Whether or not the one-time registration fee is due on repossession depends on the manner in which the repossession is conducted. There must be a lien on the title, and the repossession must be in compliance with the Uniform Commerce Code for repossession to be considered valid. If a valid repossession has occurred, whether or not the sale of the repossessed vehicle is subject to the one-time registration fee depends on the type of entity performing the repossession and the documentation of the transaction as shown in the following examples:

Example:

If a licensed dealer repossesses a vehicle and will be reselling the vehicle, the dealer can use the dealer resale exemption to avoid the one-time registration fee. There must be a lien on the title, and the repossession must be regulated under the Iowa Uniform Commerce Code.

Example:

If a financial institution repossesses a vehicle and does not have a dealer's license, the one-time registration fee is based on one of the following:

a) If the financial institution uses the foreclosure affidavit to take title to the vehicle and register the vehicle, the one-time registration fee is due based on the outstanding loan amount. The affidavit of foreclosure can only be used for repossessions.

b) If the financial institution uses the foreclosure affidavit merely to retain possession of the vehicle until a buyer is found, the one-time registration fee is not due. In this instance, the person performing the repossession does not take title to the vehicle.

Repossessions of mobile homes are to be handled in the same manner as vehicles.

Insurance Settlements

When an insurance company takes title to a vehicle after paying an insured client for damage to the client's vehicle, the one-time registration fee is due on the amount of money paid by the insurance company to the policy holder, unless the insurance company has a used car dealer's license or another exemption from the one-time registration fee applies.

Previously-Owned Vehicles

A common misconception is that if a person sells a vehicle he/she owns and then buys the same vehicle back, the transaction is exempt from the one-time registration fee. These are two separate transactions and both are subject to the one-time registration fee.

Note: This is not the same as a returned vehicle. In a returned vehicle situation, the purchaser makes the decision to return the vehicle, and the seller agrees to accept the returned vehicle and to void the sale agreement.

Salvage Vehicles

Salvage vehicles which are “road ready” at the time of purchase, and registered without additional parts or labor applied to them, are subject to the one-time registration fee on the purchase price. A salvage vehicle is considered "road ready" when no repairs are necessary to pass inspection and obtain a regular title. This information will be recorded on the Affidavit of Repairs contained within the Iowa Department of Transportation’s automated inspection reporting program. The determination of the “road ready” status upon purchase will be checked by the police officer conducting the salvage vehicle theft examination. The Iowa Department of Transportation may investigate and require additional information to determine the validity of claims the salvage vehicle was "road ready" at the time of purchase. During the examination the officer will review the Affidavit of Repairs completed by the owner, including the vehicle value amount used to determine the one-time registration fee. The net vehicle value used to determine the one-time registration fee will be automatically recorded in the Iowa Department of Transportation’s ART’s program.

Rebuilders

“Vehicle rebuilder” means a person engaged in the business of rebuilding or restoring to operating condition vehicles subject to registration which have been damaged or wrecked. A recyclers license allows purchase of damaged vehicles without paying the one-time registration fee. A recyclers license is needed if the vehicle is to be repaired or resold. When the vehicle is “road ready” they must register the vehicle unless they have a used car dealer’s license. At the time of registration, the one-time registration fee is due on the fair market value of the vehicle, with a deduction allowed for the cost of the parts, supplies, and equipment on which sales tax was paid and that were used to rebuild the vehicle. This information will be recorded on the Affidavit of Repairs contained within the Iowa Department of Transportation’s automated inspection reporting program. Proof of sales tax paid will be validated by the police officer conducting the salvage vehicle theft examination with the amount of sales tax paid recorded by the recycler on the Affidavit of Repairs contained within the Iowa Department of Transportation’s automated inspection reporting program. The net vehicle value used to determine the one-time registration fee will be automatically recorded in the Iowa Department of Transportation’s ART’s program.

Hobbyists and other individuals who are not licensed recyclers or used car dealers must pay the one-time registration fee or sales tax on the parts, frames, chassis, auto bodies, or supplies that they purchase to rebuild vehicles that will be subsequently registered for highway use. Upon registration, the one-time registration fee is due on the fair market value of the vehicle, with a deduction allowed for the cost of the parts, frames, chassis, auto bodies, or supplies on which the one-time registration fee or sales tax was paid and that were used to rebuild the vehicle. This information will be recorded on the Affidavit of Repairs contained within the Iowa Department of Transportation’s automated inspection reporting program. The police officer conducting the salvage vehicle theft examination will validate this information during the inspection, including examining the receipts for parts and supplies used to rebuild the vehicle. The net vehicle value used to determine the one-time registration fee will be automatically recorded in the Iowa Department of Transportation’s ART’s program.

Vehicle Kits

The purchase of a vehicle kit (other than a glider kit vehicle) is subject to Iowa sales tax if purchased in Iowa or use tax if purchased out of state. Once the kit is assembled and becomes a vehicle subject to registration, the one-time registration fee is due unless the customer can provide a copy of the invoice for the kit, equipment, and parts that shows Iowa sales or use tax has been paid. Simply attach a copy of the invoice to the UT510 exemption form and send it to the Iowa Department of Revenue. If the customer cannot provide evidence of tax having been paid, then the one-time registration fee is due on the fair market value of the vehicle.

Glider Kit Vehicle

A glider kit vehicle is a commercial motor vehicle that is a combination of a new cab and a new frame with an engine, transmission, and drive axle that are not new, such that the resulting vehicle is not a newly manufactured vehicle. Glider kit vehicles are considered a new "completed motor vehicle" and are subject to the one-time registration fee on their purchase price.

Federal Excise Tax

Federal excise tax is imposed on the act of manufacturing rather than at the time of sale. To be excluded from the Iowa one-time registration fee, the federal excise tax must (1), be imposed upon the purchaser and due at the time of the retail sale and (2), must be billed or charged as a separate item. Proof that the two requirements have been met must be provided to the county treasurer or Iowa Department of Revenue.

Implements of Husbandry

Livestock trailers that are implements of husbandry are not required to be titled or registered. If they are not registered, the one-time registration fee does not apply to these trailers, even if they are drawn by a vehicle subject to registration. If the owner chooses to register the trailer, it is subject to the one-time registration fee.

Sales to Native American Indians

If a dealer delivers a vehicle to a resident Native American Indian on the reservation and at a later time the resident Native American Indian registers the vehicle at the county treasurer's office, the one-time registration fee is not due since the delivery took place on the reservation.

If the vehicle is delivered off the reservation, the one-time registration fee is due even if the sole use of the vehicle is on the reservation.

If delivery takes place on the reservation, but the owner is not a member of any recognized tribe, the one-time registration fee is due.

All three tribes with land in Iowa – Sac and Fox, Winnebago, and Omaha – have governing bodies duly recognized by the Secretary of the Interior. These governing bodies resemble municipal, county, and state governments. Therefore, purchases by the governing bodies of the above Native American Indian tribes on or off the reservation are exempt from the one-time registration fee. This is because governing tribal entities are considered to be quasi-governmental entities entitled to the same exempt status granted to other governmental entities.

Disabled Veterans

If a governmental entity takes title or ownership of a vehicle subject to registration, the exemption granted to governmental entities can be claimed. However, if the governmental agency does not take title, the governmental exemption does not apply.

Example:

Joe Beck is a disabled veteran and needs a van. Joe Beck contacts the Veterans Administration to see if they would provide the funds to purchase a van. The Veterans Administration agrees to provide the funds. Joe Beck purchases a van from Big Mike Ford for $14,000. The Veterans Administration writes a check for $14,000 payable to Big Mike Ford. The title is issued in the name of Joe Beck. Since the Veterans Administration did not take title to the van, Joe Beck's purchase of the van with government funds is subject to the one-time registration fee. The one-time registration fee is due on $14,000.

Sale of Chassis with Added Equipment or Accessories

If a dealer sells a chassis and the purchaser has the dealer install any equipment, the one-time registration fee is due on the full purchase price, including the chassis and the equipment. This is a completed vehicle when driven off the dealer's lot.

If the chassis is purchased from a dealer and the equipment is obtained by the purchaser from a third party, the one-time registration fee is due on the chassis and sales tax on the equipment.

Example:

Joe's Tree Trimming Service purchases a chassis from Ford Auto for $20,000. Joe's Tree Trimming Service wants a lift added to the chassis. Ford Auto agrees to sell and install the lift for $15,000. Ford Auto takes the chassis to George's Lift Sales for purchase and installation of the lift. After the installation, Joe's Tree Trimming Service returns to Ford Auto to take delivery of the completed vehicle. Joe's Tree Trimming Service requests Ford Auto to itemize the chassis price of $20,000 and the lift price of $15,000. Joe's Tree Trimming Service pays Ford Auto $35,000 for the complete vehicle. The chassis and lift are a vehicle subject to registration and the one-time registration fee is due on $35,000.

Example:

Joe's Tree Trimming Service purchases a chassis from Ford Auto for $20,000. Joe's Tree Trimming Service wants a lift added to the chassis. However, Joe's Tree Trimming Service will purchase the lift

from a third party and not from Ford Auto. Joe's Tree Trimming Service pays Ford Auto $20,000 for the chassis. Joe's Tree Trimming Service drives the chassis to George's Lift Sales to purchase and install a lift for $12,000. The purchase of the chassis from Ford Auto is subject to the one-time registration fee. The purchase and installation of the lift (if not separately itemized) from George's Lift Sales are subject to Iowa sales tax and any applicable local option tax.

Sale of a Boat or ATV with a Trailer

It is not uncommon for a boat dealer to sell a boat with a trailer as a packaged deal. The dealer must put a separate price on the boat, boat accessories, and trailer, so the correct amount of the one-time registration fee may be imposed on the trailer. If the boat dealer does not, it is assumed the package deal is for the purchase of a trailer and not for the boat and accessories. It is not the responsibility of either the county treasurer or the county recorder to determine the purchase price of the property within the package deal.

Optional Service Agreements

A dealer is required to collect sales tax on the sale of an optional service agreement. If the dealer includes the optional service agreement in the taxable price of the vehicle, we request that the county treasurer return all documents to the dealer with instructions to remit the sales tax on the sale of the optional service agreement directly to the Iowa Department of Revenue. The one-time registration fee is then submitted to the county treasurer based on the sale price of the vehicle, less the cost of the optional service agreement.

Vehicle Protection Package

A common vehicle protection package includes services for exterior paint protection, interior fabric, leather and vinyl protection, as well as rust proofing and undercoating. The Department does not view those as taxable services. Therefore, the price of the vehicle protection package should not be included in the purchase price of the vehicle for purposes of the one-time registration fee.

If a dealer includes a vehicle protection package in the taxable price of the vehicle, and it is separately stated, the one-time fee should be imposed on the purchase price minus the price of the vehicle protection package. If the amounts are not separately stated, we request that the county treasurer return the documents to the dealer with instructions to list the price of the vehicle protection package separately so the correct purchase price for purposes of the one-time registration fee can be determined.

Wholesaler's License

Effective January 1, 2007, the Iowa Department of Transportation eliminated the used vehicle wholesaler's license category. As a result, the Iowa Department of Revenue will not require former wholesaler license holders, or those who are wholesalers of vehicles after January 1, 2007, to pay the one-time registration fee on vehicles they are purchasing for resale. To claim this exemption, the purchaser must complete a UT510 exemption certificate at the office of the county treasurer indicating they are a wholesaler purchasing the vehicle for resale. For wholesalers not purchasing for resale after January 1, 2007, the one-time registration fee will be imposed on the purchase of the vehicle, unless another exemption is applicable.

UT510 Affidavit Exemption Certificate

UT 510 affidavit exemption certificates are used to confirm a purchase price or establish exemption from the one-time registration fee.

The affidavit is used to report a purchase of a vehicle subject to registration and shows the total delivered purchase price of a vehicle subject to registration.

The exemption form separately lists the exemptions from the one-time registration fee in eight major categories. If the owner is claiming exemption number 1 or number 3; the completion of the form is required. For exemptions 2, 4, 5, 6, 7, and 8, the treasurer, with the approval of the Iowa Department of Revenue, determines if the affidavit is necessary for a particular transaction.

Note: The burden of proof regarding whether an exemption applies is upon the person claiming the exemption. If the exemption appears questionable, the county treasurer should allow the exemption, "flag" the affidavit for review, and advise the person that the Iowa Department of Revenue will review the exemption. If the Department disallows the exemption, the person claiming the exemption is liable for any applicable one-time registration fee, penalty, and interest.

Affidavits of exemption that are not correct in both substance and form will not be accepted by the county treasurer, the Iowa Department of Transportation or the Iowa Department of Revenue. When in doubt, the county treasurer or the Iowa Department of Transportation will collect the one-time registration fee. If the owner believes the one-time registration fee has been erroneously collected, a Claim for Refund form IA 843 may be filed with the Iowa Department of Revenue.

The Iowa Department of Revenue requires signatures on all affidavits. If a fleet (five or more vehicles) of vehicles is being registered, affidavits for each vehicle within the fleet need to be completed and signed. The Department does allow the use of signature stamps to complete the signature portion of the affidavit form.

Warning to Taxpayers

Any claim for exemption from the one-time registration fee made by a purchaser with a county treasurer is subject to review and ultimate determination by the Iowa Department of Revenue. If after review, an exemption is found to have been claimed improperly, penalty, and interest may apply in addition to the one-time registration fee.

Vehicles Operated in Iowa

Effective July 1, 2013, a new law was established in response to individuals who created shell business entities in states, such as Montana, that do not impose sales or use tax or a one-time registration fee ("non-tax state") on the purchase of a motor vehicle, for the sole purpose of evading the Iowa one-time registration fee or use tax. The business entity would purchase the vehicle and register it in the non-tax state. The individual who created the business entity would drive the vehicle primarily in Iowa with a non-tax state's license plates.

Under the new law, the Iowa one-time registration fee is due if the vehicle is located within Iowa for more than 90 consecutive or non-consecutive days and is operated on an Iowa highway by an Iowa resident during the time the vehicle is located in Iowa.

The 90-day temporary period of operation does not apply to a vehicle owned by a shell business. The new law provides factors that indicate a business is a shell which include, but are not limited to, a lack of specific business activity or purpose or failure to maintain a physical location in the state in which the business is registered.

If the Department determines that the non-resident owner of the vehicle is a shell business, it is presumed that:

(1) the Iowa resident in control of the vehicle is the actual owner of the vehicle;

(2) the vehicle is subject to Iowa registration; and

(3) the payment of the one-time registration fee is owed by the Iowa resident.

An Iowa resident found to be in control of a vehicle owned by a shell business and for which the one-time registration fee has not been paid is guilty of a fraudulent practice and shall also be assessed a penalty of 75% of the amount of the one-time registration fee required to be paid.

Penalty for False Statement

A person who willfully makes a false statement in regard to the purchase price of a vehicle subject to the one-time registration fee is guilty of a fraudulent practice.

Willful Attempt to Evade the One-Time Registration Fee

In addition to a person who willfully makes a false statement in regard to the purchase price of a vehicle subject to the one-time registration fee, a person who willfully attempts in any manner to evade payment of the one-time registration fee is also guilty of a fraudulent practice and will be assessed a penalty of 75% of the amount of the one-time registration fee required to be paid.

Debt Collected by County Treasurer

County treasurers have the authority to collect the full amount of any tax debt from a taxpayer whose vehicle registration has been blocked due to an outstanding tax liability. The county treasurer will collect the full amount of tax due and remit that amount to the Iowa Department of Revenue.

EXEMPTION #1
GIFT, PRIZE, OR TRANSFER WITHOUT CONSIDERATION

Raffle Prize

When an organization purchases a vehicle from a dealer to subsequently award it as a raffle prize under Iowa Code chapter 99B, neither the recipient of the prize nor the prize sponsor is liable for the one-time registration fee (O.A.G. 4-16-91).

Example:

A children's hospital purchases a vehicle from a local dealer to be used as a prize in a raffle. Raffle tickets are sold to raise funds for a new children's wing to the hospital. The purchase of the vehicle by the hospital as a prize for the raffle is not subject to the one-time registration fee. In addition, when the raffle winner registers the vehicle, the one-time registration fee is not due on the vehicle.

Example:

Kings Dealership donates a car to a non-profit organization, which will use the car as a prize in a licensed raffle. Since the car is a prize in a licensed raffle and donated to a nonprofit organization, the dealer's purchase of the car is exempt from the one-time registration fee.

Promotion

When a vehicle is given away by a dealer as a promotion, the one-time registration fee is imposed on the dealer's purchase price. Because the vehicle was not resold, the dealer exemption does not apply. In some promotional giveaways, the dealer may require the winner to pay the one-time registration fee. Iowa law does not prohibit contest rules that require a prize recipient from paying the one-time registration fee on behalf of the dealer. Even if the recipient is required to pay the one-time registration fee based on contest rules, the dealer may still be held liable for the one-time registration fee by the Iowa Department of Revenue if the one-time registration fee is not timely paid.

Example:

Bob's Chevrolet has a drawing for the purpose of promoting his dealership. Bob's Chevrolet displays a new car as the prize. Bob's Chevrolet purchased the car for $7,000. One of the rules of the promotion is that the winner must pay the one-time registration fee imposed on Bob's Chevrolet. Jill is the winner and agrees to the drawing rules. The car is subject to the one-time registration fee. The one-time registration fee is due on the $7,000.

Transfers Resulting from Mergers

If title to a vehicle is transferred from one corporation to another, the transfer is not subject to the one-time registration fee if all of the following five criteria exist:

1) The merger is pursuant to statutory provisions of the Iowa Code;
2) By the terms of the statute, the title of the vehicle is transferred from a merging corporation to a surviving corporation;
3) The transfer of any and all assets, including vehicles, is without any consideration;
4) The merging corporation is extinguished and dissolved the moment of the merger; and
5) The merging corporation does not receive any benefit of the merger as a result of the dissolution.

Example:

ABC Corporation and Lucky Corporation enter into a voluntary merger agreement governed by the Iowa Code. ABC and Lucky corporations voluntarily negotiate an arms-length merger agreement which results in the transfer of ABC's assets, including all vehicles, to Lucky Corp for the dissolution of ABC Corp. ABC Corp stockholders receive stock in Lucky Corp. ABC Corp's transfer of the vehicles to the surviving company Lucky Corp is a statutory merger; the one-time registration fee is not due.

Gift Transfers

A gift of a vehicle from one person to another is exempt from the one-time registration fee. For a gift to occur, no consideration can be present.

Note: Transfers among family involving consideration are not exempt from the one-time registration fee.

Transfers from a Corporation

Most transfers of vehicles by a corporation to an individual are subject to the one-time registration fee. However, there are two exceptions to this general rule. A corporation may make gifts of corporate vehicles without the one-time registration fee being paid by the corporation or the recipient if (1) the gift is a charitable contribution or (2) if the transfer is a gift to a retiring employee.

Compensation "In-Kind"

Example:

George is a shareholder and employee in MAC Corporation. In the months of April through November, George worked a substantial amount of overtime. In December, the corporation allowed George to choose whether to be paid for the overtime by receiving additional wages or by taking title to a corporate vehicle. George chooses to take the vehicle, and MAC Corporation transfers the title of the corporate vehicle to George.

The transfer of the vehicle to George was "in-kind" compensation paid by the corporation to George for the overtime hours worked. This compensation constitutes consideration. The one-time registration fee is due on the amount of the overtime pay.

Transfers to a Retiring Employee

Example:

Easy-Tow Corporation executive, Joe Rich, has use of a company car while employed. Joe Rich retires and receives the car as a retirement gift. The car is fully depreciated on the corporation books.

A transfer of a vehicle upon retirement indicates that it is intended as a gift.

Note: If Easy-Tow Corporation provides George with a W-2 or 1099, for the fair market value of the vehicle; Easy-Tow Corp intends the transfer of the vehicle to be income to George and is not a gift. The one-time registration fee is due on the amount reported on the W-2 or 1099 as wages.

Transfers Involving Family

Transfers among family members are subject to the one-time registration fee if consideration is given:

Example:

John Smith and his spouse paid cash for a new car. The car is titled and registered as joint tenancy with full rights of survivorship by indicating "or" between the names on the title. John decides to remove his name from the title.

The removing of John's name does not create consideration. Under joint tenancy, both John and his spouse own 100 percent of the new car. As a result, the transaction is not subject to the one-time registration fee.

Example:

Mike Smith owns Big Mike Auto, a sole proprietorship. Mike's son, Craig, needs a car, and Mike gifts a car to Craig worth $5,000. Craig does not provide any consideration. Craig does not owe the one-time registration fee on the transfer. However, Big Mike Auto owes the one-time registration fee on the purchase price. The vehicle was purchased for resale; however, it was not sold by Big Mike Auto. As a result, Big Mike Auto loses its dealer exemption for resale, and the one-time registration fee is due on the fair market value.

Example:

Susan purchases a vehicle and titles it in her name. The outstanding loan on the vehicle is co-signed by Susan's parent. At a later date, for insurance purposes, the vehicle is transferred from Susan to Susan's parent. A lien remains on the vehicle following transfer of title. Susan's parent received the vehicle; however, Susan received nothing of value in return. There has been no new consideration in support of the transfer. The one-time registration fee is not due.

Example:

Heather received an older car from her parents as a graduation gift. The car was expensive to maintain so she decided to trade it in for a newer vehicle. Because she had not established a sufficient credit history to obtain a loan, the bank required her to get a co-signor. Her uncle, Rob, offered to co-sign the loan for her. As part of the terms of the loan, the co-signor's name was also entered on the title of the new vehicle. Though Rob's name was not on the title of the vehicle that was taken in trade, the value of the trade-in will be allowed to reduce the purchase price of the vehicle for one-time registration fee purposes. The trade was allowed because the financial institution or bank required a co-signor for the loan and the co-signor's name will also be on the title of the vehicle.

Example:

A vehicle is titled in Mr. Brown's name with a loan also in his name. Mr. Brown transfers the title to his child, Jim, who assumes the unpaid balance of the loan. A new lien is filed. The one-time registration fee is due on the outstanding loan balance.

Example:

A vehicle is titled in Ms. Olsen's name with an outstanding loan balance of $10,000. Ms. Olsen transfers the title to her son Alan. Alan takes out a $15,000 loan to pay off Ms. Olsen's outstanding loan of $10,000 and also to have $5,000 for repairs to his house. The one-time registration fee is due only on Ms. Olsen's outstanding loan balance of $10,000.

Transfers Involving Trusts

Personal vehicles transferred to a "living (revocable/changeable) trust" which is identified by a Social Security Number are generally not subject to the one-time registration fee due to lack of consideration. Transfer of a vehicle to an "irrevocable (unchangeable) trust" which has a Federal ID Number may be subject to the one-time registration fee if consideration is present.

Example:

Sam Spade, grantor, establishes a living trust for the benefit of himself and his spouse. Sam Spade transfers all his property in the trust, including his two vehicles. Since Sam Spade only transferred his property into a living trust, no consideration has occurred, and the one-time registration fee is not due.

Example:

Paul Brown, grantor, establishes a trust for his daughter. Paul designates his brother, Sam Brown, as trustee. Paul transfers a vehicle to the trust. Sam, as trustee, uses the vehicle as a trade-in on a newer vehicle for the trust. The trust pays cash totaling $15,000 for the new vehicle. This scenario involves two transactions. The first, from Paul Brown to the trust, is not subject to the one-time registration fee because there was no consideration to support the transfer. The second transaction was between the dealer and the trust for the new vehicle. In this transaction, $15,000 was given as consideration for the new vehicle and the one-time registration fee is due on the amount.

EXEMPTION #2
CERTAIN NONPROFIT ORGANIZATIONS

Just because an organization is nonprofit does not mean it is automatically exempt from paying the one-time registration fee when purchasing a vehicle. (See page 41 for possible exemptions from the one-time registration fee on leased vehicles.)

The purchases of vehicles by the following types of nonprofit corporations are exempt if (1) the vehicle is purchased for use by the nonprofit organization and (2) it takes title to the vehicle.

a. Community health centers as defined in 42 USCA §254c.

b. Migrant health centers as defined in 42 USCA §254b.

c. Residential care facilities and intermediate care facilities for the intellectually disabled and residential care facilities for the mentally ill licensed by the Iowa Department of Inspections and Appeals under Iowa Code chapter 135C.

d. Residential facilities for intellectually disabled children licensed by the Iowa Department of Human Services under Iowa Code chapter 237.

All residential facilities for child foster care licensed by the Iowa Department of Human Services under Iowa Code chapter 237, other than those maintained by "individuals" as defined in Iowa Code subsection 237.1(7), are eligible for the exemption.

e. Rehabilitation facilities that provide accredited rehabilitation services to persons with disabilities which are accredited by the Iowa Commission on Accreditation of Rehabilitation Facilities or the Accreditation Council on Services for People with Developmental Disabilities and other developmentally disabled persons and adult day care services approved for reimbursement by the Iowa Department of Human Services.

f. Community mental health centers accredited by the Iowa Department of Human Services under Iowa Code chapter 225c.

g. Nonprofit legal aid organizations.

h. Nonprofit private museums if used for educational, scientific, historic preservation, or aesthetic purpose.

i. Nonprofit hospitals licensed under Iowa Code chapter 135B in which the property will be used in the operation of such hospital.

j. Free-standing nonprofit hospice operating under 42C.F.R., Ch. 16, §418.3 and the purchases are used in the operation of the hospice program.

k. Statewide nonprofit organ procurement organization as defined in Iowa Code §142C.2.

l. Nonprofit organizations organized solely for the purpose of lending property to the general public for nonprofit purposes. To qualify for exemption, the vehicle purchased must be lent to the public.

m. Private nonprofit art centers located in Iowa.

n. Community action agencies as defined in Iowa Code section 216A.93.

EXEMPTION #2 continued
PRIVATE NONPROFIT EDUCATIONAL INSTITUTIONS

Exemption from the one-time registration fee on vehicles subject to registration is provided to Iowa private nonprofit educational institutions.

A private nonprofit educational institution consists of a school, college, or university with students, faculty, and an established curriculum, a group of qualifying organizations acting in concert, or libraries.

Example:

The purchase of a vehicle by a church is subject to the one-time registration fee if registered in the church's name. However, if a parochial school operated by the church purchases a vehicle and registers it in the name of the school, the vehicle is exempt from the one-time registration fee.

To claim the exemption, the non-profit educational institution must (1) pay for the vehicle and (2) take title to the vehicle.

EXEMPTION #2 continued
GOVERNMENT UNIT OR
QUALIFYING GOVERNMENTAL CORPORATION

When the purchaser of a vehicle subject to registration is a governmental unit or certain federal corporation, the vehicle is exempt from the one-time registration fee.

> *"When vehicles are purchased by any federal or state governmental agency or tax certifying or tax levying body of Iowa or governmental subdivision thereof. The exemption shall not apply to vehicles purchased or used in connection with the operation of or by a municipally-owned public utility engaged in selling gas, electricity, heat, pay television, or communications service to the general public."*

> *"Receipts from the sale of tangible personal property or from rendering, furnishing or providing taxable services to the American Red Cross, Coast Guard Auxiliary, Navy-Marine Corps Relief Society, and USO shall be exempt."*

To claim the exemption, the governmental unit or qualifying governmental corporation must (1) pay for the vehicle and (2) take title to the vehicle.

Listed below are some of the federal corporations exempt from the imposition of the one-time registration fee:

1. Central Bank for Cooperatives and Banks for Cooperatives;
2. Commodity Credit Corporation;
3. Farm Credit Banks;
4. Farmers Home Administration;
5. Federal Credit Unions;
6. Federal Crop Insurance Corporation;
7. Federal Deposit Insurance Corporation;
8. Federal Financing Bank;
9. Federal Home Loan Banks;
10. Federal Intermediate Credit Banks;
11. Federal Land Banks and Federal Land Bank Association;
12. Federal National Mortgage Association;
13. Federal Reserve Bank;
14. Federal Savings and Loan Insurance Corporation;
15. Production Credit Association;
16. Student Loan Marketing Association; and
17. Tennessee Valley Authority.

EXEMPTION #3
BUSINESS TRANSFERS

Iowa Department of Revenue rules and the Iowa Code provide an exemption from the one-time registration fee for vehicles transferred between certain businesses:

- A transfer from one corporation to another corporation is a transfer from one entity to another entity and is subject to the one-time registration fee, unless the transfer is pursuant to a statutory merger or unless the corporations involved in the transfer are primarily engaged in the business of leasing registered vehicles and are part of the same controlled group for federal income tax purposes. Likewise, a transfer from a LLC to another LLC, or a partnership to another partnership, is a transfer from one entity to another entity and is subject to the one-time registration fee.
- Vehicles transferred from a sole proprietorship or a partnership to a new corporation or LLC for the purpose of continuing the business are exempt from the one-time registration fee. Vehicles transferred from an LLC to a new corporation for the purpose of continuing the business are also exempt.

Note: **The exemption applies only if all of the stock of the corporation is owned by the sole proprietor and spouse or by all the partners if the business was a partnership or by all members if the business was an LLC. All ownership in the old entity and the new entity must be the same.**

This exemption is also applicable if vehicles are transferred from a dissolved corporation or an LLC to a sole proprietorship or partnership formed for the purpose of continuing the business when carried on by the same person or persons who were stockholders of the corporation or members of the LLC. Also exempt are transfers from a dissolved corporation to an LLC for the purpose of continuing the business if the members of the LLC were the stockholders of the corporation.

This exemption contains the following provisions:

1. If the business transferring the vehicle is a sole proprietorship or partnership, the vehicle must be transferred to a new corporation or LLC. To constitute the transfer of a vehicle to a new corporation or LLC, the transfer must occur within 24 months from the date of incorporation to be exempt. (Prior to July 1, 2006, the transfer must have occurred within 12 months from the date of incorporation. On or after July 1, 2006, the transfer must occur within 24 months from the date of incorporation to be exempt).
2. The new corporation or LLC must have been formed for the purpose of continuing the business of the sole proprietorship or partnership. The activities of the new corporation or LLC must be the same as the sole proprietorship or the partnership.
3. The new corporation or LLC must be owned 100 percent by the sole proprietor, the sole proprietor's spouse or all the partners, in case of a partnership.

The following are examples of the one-time registration fee applicability in various situations involving the transfer of vehicles between businesses:

Transfers to New Corporations from Partnerships

Example:

Greg, Janice and Gary are partners in a retail business. All three partners agree that the business should continue as a corporation. On July 1, 2006, the Articles of Incorporation are filed with the Secretary of State. Over the course of the next 24 months, vehicles previously used in the partnership are transferred to the corporation. During this same 24-month period, Greg, Janice and Gary continue to be the sole shareholders in the newly-created corporation. The one-time registration fee is not due.

Transfers to New Corporations from Individuals

Example:

Shirley decides to open a floral business. Shirley found a location for a shop and leased the premises, and purchased equipment and inventory. Prior to the scheduled opening of the shop, Shirley purchased a van for use as a delivery van in the business. At the time of purchase, the one-time registration fee was paid on the van and it was titled in the Shirley's name. After purchasing the van but prior to opening the shop, Shirley consulted an attorney, who advised her to form a corporation for the purpose of conducting the floral business rather than operating the business as a sole proprietorship. Within a few weeks after the purchase of the van, the Articles of Incorporation were filed with the Secretary of State. Upon incorporation, Shirley transferred the van to the corporation. Shirley is the sole stockholder in the corporation. The one-time registration fee is not due.

Transfers from a Sole Proprietorship to a Corporation

Example:

Bill forms a corporation in 2006. In 2010, he transfers an automobile that is titled and registered in Bill's name. Transfers must take place within 24 months of incorporation to constitute a transfer to a "new" corporation to be exempt. Therefore, the one-time registration fee is imposed on the fair market value of the transferred vehicle.

Transfers to a New Corporation when Ownership Does Not Remain the Same

Example:

Hank, Cecil, and Marie are partners in a partnership. The partnership decides to incorporate. At the time of incorporation, Suzie joins the corporation as a shareholder, thereby making all the shares in the corporation owned by Hank, Cecil, Marie, and Suzie. A motor vehicle owned by the old partnership has an outstanding liability of $5,000. The outstanding loan balance is transferred to the new corporation within 24 months from the date of incorporation. The corporation also assumes the outstanding liability on the vehicle. Since Suzie was not one of the original partners, the one-time registration fee is imposed on the $5,000 outstanding loan balance.

Transfers upon Dissolution with Continuation of the Business

Example:

Sam is the sole stockholder in SAM Corporation, which engages in the business of plumbing repair. Sam decides to operate the business as a sole proprietor. SAM Corporation files a Statement of Intent to Dissolve with the Iowa Secretary of State. Upon dissolution, SAM Corporation transfers title of a motor vehicle with all other corporate assets to the individual (Sam). Sam uses this vehicle in the plumbing repair business that he continues to operate as a sole proprietor. There is no one-time registration fee liability. Since the transfer from SAM Corporation to a sole proprietorship is for the purpose of continuing the business of the corporation and all the corporate shareholders are the same at the time of dissolution, the one-time registration fee is not due.

Transfers from Corporation to Stockholder

Example:

John Doe owns 100 percent of John Doe Inc. One of the corporate assets is a Bugatti Veyron and is carried on the corporate books with a value of $1,200,000. John Doe Inc. transfers the Bugatti to John Doe, 100 percent stockholder. Although John Doe owns 100 percent of John Doe Inc., John Doe owns only the corporation. John Doe Inc. owns the assets. The one-time registration fee is imposed on $1,200,000.

Transfers from Corporation to Corporation

Example:

GO Corporation owns three vehicles: a truck, a car, and a new van. The truck is fully depreciated; the car has a book value of $8,000, and the van a book value of $25,000 with an outstanding loan of $30,000. GO Corporation wants to get rid of the three vehicles and transfers the three vehicles to PICK Corporation. MAXI Corporation owns both the GO Corporation and PICK Corporation. No money is exchanged. Since the truck was fully depreciated, the one-time registration fee is due only if there is a value given to the truck on PICK Corporation's books. The one-time registration fee is due on the car's $8,000 book value. The van's book value is $25,000; however, the one-time registration fee is imposed on the $30,000 outstanding loan balance. (The one-time registration fee is due on whichever is the larger amount.)

EXEMPTION #4
DEALERS

Persons licensed as dealers who purchase vehicles for resale are allowed an exemption from the one-time registration fee if the new car dealer is licensed to sell that "make" of vehicle. Used car dealers are similarly exempt from the one-time registration fee if the dealer is licensed to sell used cars.

Example:

Henry Ford is licensed as a franchised Ford dealership. Any new Ford make or model may be purchased exempt from the one-time registration fee if Henry Ford has the vehicle in their resale inventory.

Example:

Henry Ford is a franchised Ford dealership. A relative of the owner of Henry Ford dealership wants to purchase a new Buick. The owner of Henry Ford purchases a new Buick for his relative. Since Henry Ford is not franchised to sell Buicks, his purchase is subject to the one-time registration fee. The sale of the Buick to his relative is also subject to the one-time registration fee.

Example:

Margaret Hamilton, dba Margaret's Affordable Motorcars, is licensed to sell used cars. Margaret purchased a new Hummer from an out-of-state dealer, to sell at her downtown location. Margaret is not licensed to sell new cars so she doesn't qualify for the dealer's exemption. The one-time registration fee is due on the purchase price.

Example:

A Chevrolet dealer, not licensed to sell new Fords, registers a new Ford. The dealer's resale exemption is not applicable because the dealer is not licensed to sell new Fords. Since the sale of that vehicle is not in the regular course of business, the dealer has exercised use of the Ford and owes the one-time registration fee at the time it is registered.

Example:

A Ford dealer purchases a Ford chassis with a manufacturer's MSO stating it is a Ford. The chassis is then used and is converted to a Winnebago. After completion of the conversion, the MSO is converted to Winnebago. Upon completing the conversion, the Ford dealer claims exemption from the one-time registration fee at the time he registers the vehicle by claiming it is a Ford product, which the dealer is licensed to sell. In this scenario, the one-time registration fee is due on the vehicle at the time the vehicle is registered and titled by the dealer. A chassis is not a complete vehicle. At the time the vehicle is completed and the dealer seeks to title it, the vehicle is a Winnebago and the dealer is not authorized to sell that type of vehicle. Consequently, the dealer's exemption based on his license does not apply.

Promotions and Raffles (See Exemption 1)

When a dealer provides a vehicle to be given away as part of a promotion, the dealer is subject to the one-time registration fee on the vehicle, based on the dealer's cost of the vehicle. The dealer's exemption does not apply because the vehicle was purchased for resale and a sale of the vehicle did not occur. The recipient of the vehicle is not liable for the one-time registration fee.

If a dealer donates a vehicle to a charity for a fund-raising raffle, the dealer does not pay the one-time registration fee on the vehicle. Tangible personal property (including a vehicle) given as a prize in a licensed raffle is exempt. Neither the charity, the raffle winner, nor the dealer is required to pay the one-time registration fee on the vehicle.

Exempt Dealer Use

General Provision

A motor vehicle dealer licensed under Iowa Code chapter 322 may title or title and register a vehicle using this exemption (UT-04) and the vehicle may be assigned license plates and operated on license plates free from the one-time registration fee upon condition that the vehicle is operated in a manner consistent with the lawful use of dealer plates under the Iowa Code and the rules of the Iowa Department of Transportation.

There is a special rule for registered service loaners that have been assigned and are operated on county license plates. (See below.)

The county treasurer shall accept the dealer's certification and claim of exemption on the application for title.

Resale Exemption

In order to qualify for a resale exemption a dealer must hold a proper dealer's license and a dealer must "hold the vehicle for resale at all times."

To qualify a vehicle as "being held for resale at all times" all of the following criteria must be met:

1. The dealer must be licensed in Iowa pursuant to Iowa Code chapter 322;
2. The use of the vehicle by the dealer must not constitute a taxable "sale";
3. The dealer must keep the vehicle in its inventory for sale at all times;
4. The person using the vehicle must be aware of and accept that the vehicle may be sold at any time, resulting in the vehicle being removed from that person's possession at any given time;
5. The dealer permits the vehicle to be used without charge.

At the time that a dealer titles a vehicle with county plates, the dealer may claim that the above exemption criteria are met. If a dealer claims to meet these criteria, the one-time registration fee is not imposed by the county treasurer at the time of titling and registration.

Registered Service Loaners

Vehicles primarily used by the dealer's customers, while the customers' vehicles are being serviced or repaired, are exempt from the one-time registration fee.

These service loaners registered, assigned, and operated on a county license plate are exempt whether or not they remain in dealer inventory.

Use of a Vehicle Subject to the One-Time Registration Fee

Examples of vehicles that are subject to the one-time registration fee:

- A vehicle used to obtain or deliver parts;
- A vehicle used to haul a trailer;
- A vehicle loaned to the athletic department of any public or private school;
- A vehicle used as a shuttle vehicle to transport customers while the customer's car is being repaired.

In these situations, the dealer is making use of the vehicle and the one-time registration fee is owed by the dealer to the county treasurer at the time the dealer titles and plates the vehicle. The one-time registration fee is to be imposed on the dealer's cost for the vehicle being used.

Use of a Vehicle Not Subject to the One-Time Registration Fee

Examples of vehicles that are not subject to the one-time registration fee:

- Vehicles primarily used by the dealer's customers while the customers' vehicles are being serviced or repaired;
- A vehicle used by the dealer or dealer's employees for private or business purposes, if not otherwise subject to the one-time registration fee.

These vehicles may be registered, assigned, and operated on license plates without any one-time registration fee being due.

Replacement Vehicles

A replacement vehicle owned by a vehicle dealer licensed under chapter 322 which is being registered by that dealer is exempt from the one-time registration fee if all of the following conditions are met:

- The vehicle being registered is placed in service as a replacement for a vehicle previously registered by the dealer.
- The vehicle being registered is taken from the dealer's inventory.
- The one-time registration fee was paid by the dealer on the vehicle being replaced when that vehicle was registered.
- The replaced vehicle is returned to the dealer's inventory for sale.
- The application for registration and title of the vehicle being registered is filed with the county treasurer within two weeks of the date the replaced vehicle is returned to the dealer's inventory.
- The vehicle being registered is placed in the same or substantially similar service as the replaced vehicle.

Repossessed Vehicles and Revoked Dealers

Persons having restricted licenses for selling repossessed vehicles can purchase for resale under the dealer's exemption.

If a dealership license expires and is not renewed or the dealer license has been revoked, the dealer must title and register all the vehicles in the dealership inventory. The one-time registration fee is due on the purchase price of each vehicle by the dealer at the time of titling and registration. However, if a dealer license is suspended, a dealer is not required to title or register the vehicles in the dealer's inventory since a suspension is merely a temporary interruption in the dealership business. The dealer's exemption remains intact during the period of suspension.

EXEMPTION #5
VEHICLES PURCHASED FOR RENTAL OR LEASE

Purchased for Rental

If a vehicle subject to registration is purchased for rental, the vehicle is exempt from the one-time registration fee if the following conditions exist:

1. The person must be regularly engaged in the business of renting vehicles and licensed under Iowa Code chapter 322; and
2. The vehicle must be held for rental for a period of 120 days or more and actually rented for periods of 60 days or less; and
3. The rental is subject to Automobile Rental Tax and/or Sales Tax.

NOTE: Motorcycles and motorized bicycles continue to not be eligible for this exemption.

Purchased for Lease

The purchase of a vehicle that will be leased is exempt from the one-time registration fee on the purchase price if all of the following criteria exist:

1. The vehicle is subject to registration under Iowa Code chapter 321; and
2. The vehicle has a gross vehicle weight rating of less than 16,000 pounds; and
3. The vehicle is purchased for lease and titled by a lessor licensed pursuant to Iowa Code chapter 321F; and
4. The vehicle is leased for a period of 12 months or longer; and
5. The lease of the vehicle is subject to the one-time registration fee on the lease price. (See page 41.)

EXEMPTION #6
INTERSTATE COMMERCE, LEASED VEHICLE

Motor trucks, truck tractors, road tractors, trailers, or semi-trailers defined in Iowa Code section 321.1, purchased for the purpose of leasing, and then actually leased for use outside of Iowa, with the sole, subsequent use in Iowa in interstate commerce or transportation, are exempt.

Note: Vehicles designed primarily for carrying persons are not exempt.

The Iowa Department of Revenue makes a distinction between a true lease and a contract to haul. While an agreement may be a lease for I.C.C. purposes, this does not mean it is a lease for Iowa one-time registration fee purposes. A true lease exists when the owner (lessor) gives the lessee exclusive possession of the lessor's property for a specified period. A contract to haul exists when an owner contracts to do a piece of work while retaining control of the vehicle and methods of operation. A contract to haul is not a lease; therefore, the vehicle is not exempt. *Ballstadt v. Iowa Department of Revenue*, 368 N.W.2d 147 (Iowa 1985).

Example:

ABC Leasing purchased a Ford cargo van for the purpose of leasing it to Pop's Trucking. The lease agreement is for 36 months. Pop's Trucking will pick up property from Iowa businesses to be delivered out of state. Pop's Trucking never uses the van for intrastate deliveries within Iowa. An intrastate delivery occurs when property is picked up at one location in Iowa and delivered to another location in Iowa. For example, picking up property in Des Moines and delivering it to Cedar Rapids is an intrastate delivery.

Pop's Trucking uses this van exclusively in interstate commerce. All of the trips are either totally outside the state of Iowa; or, if a product is loaded in Iowa, the product is delivered outside of Iowa. As long as pick up and delivery points are in different states then the trip is considered interstate commerce. As such, the van in this example may be purchased by ABC Leasing exempt from the one-time registration fee.

Example:

ABC Leasing purchases a GM flatbed truck for the purpose of leasing it to Get-Up-N-Go Trucking. The lease is for five months. Get-Up-N-Go Trucking will use the truck for deliveries out of state and in Iowa. Since some deliveries occur in Iowa, the subsequent use in Iowa is not solely for interstate commerce. ABC Leasing's (lessor) purchase of the GM flatbed is subject to the one-time registration fee.

Note: A contract to haul or a leased vehicle used only substantially in interstate commerce may not qualify for this exemption, but they may qualify under Exemption #7.

EXEMPTION #7
VEHICLES USED IN INTERSTATE COMMERCE

Vehicles (power units, trailers, and semi-trailers) that are registered or operated under Iowa Code chapter 326 are exempt from the one-time registration fee if (1) they accrue at least 25 percent of their mileage outside of Iowa; and (2) they are registered for a gross weight of 13 tons (26,000 pounds) or more. Both conditions must be met to claim the exemption. Purchased vehicles, as well as leased vehicles, qualify for this exemption.

The requirement for a gross weight of 26,000 pounds or more is determined by one of the following:

- Combined Gross Vehicle Weight as specified on the International Registration Plan (IRP) Cab Card; or
- Gross Combined Weight or Iowa Combined Gross Weight listed on the IRP Vehicle Schedule.

Periods for substantiating mileage by the Iowa Department of Revenue are fiscal year July 1-June 30, with an exception if the initial registration period is a short year (less than 12 months). Mileage during that period will be totaled with the first full year for substantiation purposes.

Whether a vehicle is registered prorate or has county plates does not determine eligibility for exemption. The exemption applies if the 25 percent mileage factor and registered weight requirements are met. It is acceptable for the owner to register a vehicle prorate and still pay the one-time registration fee if the owner believes the vehicle will not meet the mileage requirement.

The 25 percent out-of-state mileage factor must be maintained for the first four years of operation. If the vehicle is sold, traded, or disposed of before the 4-year period elapses, the exemption still applies if it met the mileage requirement during the period of time it was owned. If the mileage factor is not met for each year of the 4-year period, the one-time registration fee is due and is imposed on book value or fair market value, whichever is less. If the mileage factor is not met during the first year after claiming exemption, the one-time registration fee is due on the full purchase price. **Note:** Records should be examined every year to determine whether the mileage factor has been met. We recommend you keep your records from the first 4 years of operation of the vehicle for at least 10 years to prove the vehicle has consistently been eligible for the exemption. Summary records, such as the monthly or annual records required by IFTA, may be kept to prove the mileage requirement was met. Records are required for power units, but not for trailers or semi-trailers. A trailer or semi-trailer's exempt status is based upon what it is attached to. If attached to an exempt power unit, the trailer or semi-trailer is also exempt.

Example:

ABC Trucking purchased two semi-tractors two years ago. An exemption was claimed because 25 percent of the mileage for each was out-of-state mileage and they met the registered weight requirement. Two years later, ABC Trucking decided one of the semi-tractors will be used only in Iowa. The registered weight did not change, but the 25 percent out-of-state mileage requirement was not maintained for the first four years, so the exemption no longer applies. ABC Trucking's book value is $60,000, and the market value is $75,000. The book value is less than the market value; the one-time registration fee is imposed on the $60,000 book value.

Example:

Two years ago, ABC Trucking purchased a power unit and a semi-trailer. The power unit was used in excess of the 25 percent mileage requirement and met the 26,000 pound weight requirement, so an exemption was claimed. They were originally registered prorate. This year, ABC Trucking decided to register the power unit and semi-trailer with county plates, instead of renewing the prorate registration. Although the power unit and semi-trailer will be county plated, ABC Trucking will still use the power

unit and the semi-trailer 25 percent outside of Iowa. The registered weight did not change. Since both the 25 percent mileage factor and the 26,000 pound registered weight factor are met, the one-time registration fee is not due.

Example:

Two years ago, ABC Trucking purchased a power unit and a semi-trailer. Both the power unit and semi-trailer were used in excess of the 25 percent mileage requirement and met the 26,000 pound weight requirement, so an exemption was claimed. They were originally registered prorate. This year, ABC Trucking decided to register the semi-trailer with county plates, instead of renewing the prorate registration. The power unit will still be used 25 percent outside of Iowa. The mileage of the semi-trailer does not matter as there is no record keeping requirement for trailers or semi-trailers. The registered weight did not change. Since both the 25 percent mileage factor and weight requirement continue to be met, the one-time registration fee is not due.

EXEMPTION #8 OTHER
MANUFACTURED HOUSING AND MOBILE HOMES

Manufactured housing and mobile homes are subject to 6 percent use tax rather than the one-time registration fee. NOTE: Modular homes are subject to 6 percent state sales tax on 60 percent of their purchase price and are not addressed in the following information.

Mobile homes are exempt from the use tax if use tax has been previously paid. (Iowa Department of Revenue rule 701 IAC 32.3). Mobile homes are subject to use tax on 20 percent of the purchase price.

Use tax on the mobile home is due at the time it is titled. However, when a mobile home becomes real property and the title to the mobile home is surrendered, no refund is allowed for the use tax previously paid.

Example:

A new mobile home is purchased by the State Conservation Commission for use at a state park. Use tax is not paid at the time it is initially titled. This mobile home is later sold to Bill Smith, a resident of Iowa. Bill Smith titles the mobile home in Iowa. Since use tax was not paid by the State Conversation Commission, Bill Smith owes use tax on 20 percent of his purchase price.

Example:

Hank Jones, resident of Nebraska, titles a mobile home in Nebraska. Hank Jones later moves to Iowa and titles the mobile home in Iowa. Use tax is not due since Hank Jones did not purchase it for use in Iowa. Hank Jones later sells it to Richard Smith, a resident of Iowa. Since Iowa use tax has not been previously paid, Richard Smith owes use tax on 20 percent of his purchase price.

When use tax is paid on a mobile home, the amount of the use tax should be entered on the title.

New mobile homes are subject to use tax on only the portion of the cost of the mobile home attributable to materials used in building the mobile home. For purposes of this exemption, 80 percent of the mobile home cost is attributable to labor, so that mobile homes are subject to use tax on 20 percent of the purchase price. This exemption does not apply to RVs and travel trailers, which are subject to the one-time registration fee at full value.

Mobile Home Trade-Ins

In order for a trade-in allowance to apply, it must:

a. be the type of property normally sold in the regular course of the retailer's business; and

b. be intended to be ultimately sold at retail or used to manufacture a like item.

When the traded mobile home is ultimately sold, it will not be subject to use tax if use tax has been previously paid.

Example:

A mobile home dealer receives from the factory a new mobile home that has a sales price of $40,000. The dealer sells the mobile home to Larry and Lola Smith. Larry and Lola Smith trade in their old mobile home for $5,000. The used mobile home has been previously titled in Iowa and use tax was paid. The dealer lists the trade-in for sale.

The use tax is computed as follows:

Sales price.....$40,000
Less trade-in.....$ 5,000
Buyer's price.....$35,000
Amount subject to use tax.....$ 7,000
($35,000 X 20%)
Use tax at 5%.....$ 350
($7,000 X 5%)

The trade-in allowance applies since the traded-in mobile home will be ultimately sold at retail.

Example:

ABC Inc. is a dealer of mobile homes. ABC Inc. sells a mobile home to Larry and Lola Smith for $40,000 less the $5,000 trade-in of their old mobile home. The used mobile home has been previously titled in Iowa and use tax was paid. The mobile home will be retained by the dealer as an office. The Iowa use tax is computed as follows:

Sales price.....$40,000
Less trade-in.....$ 5,000
Buyer's price.....$35,000
Amount subject to use tax.....$ 8,000
($40,000 X 20%)

The trade-in allowance does not apply since the traded-in mobile home will not be sold at retail or used to manufacture a like item.

Use tax at 5%.....$ 400
($8,000 X 5%)

Manufactured Housing

Manufactured housing is subject to use tax on only 20 percent of the purchase price which is to be paid to the county treasurer.

"Manufactured housing" is defined as housing which is factory built to specifications required by 42 U.S.C. section 5403, and must display a seal from the United States Department of Housing and Urban Development.

Typically, a manufactured home has the following three characteristics:

1. It is a structure built on a permanent chassis; and
2. It is transportable in one or more sections; and
3. It is designed to be used as a dwelling with or without a permanent foundation.

Use tax is based on the installed purchase price. The use tax is collected from the purchaser by the dealer who sells the manufactured home. The purchaser must also provide the dealer with all the information necessary to submit an application for title. The manufactured home dealer is required to remit the use tax to the county treasurer of the county in which the home is located and also to carry out the title application process on the sale of new manufactured homes.

Example:

Woods Home Sales sells manufactured housing to Kelvin and Renee Jones for $120,000, which includes placing the manufactured housing on a foundation.

The use tax is figured as follows: 20% x $120,000 = $24,000 x 5% = $1,200.

EXEMPTION #8 OTHER continued
INHERITANCE WITH AND WITHOUT A COURT ORDER
TRANSFER OF TITLE

Transfers Resulting from Court Orders

Court-ordered transfers of vehicles, such as those arising as a result of probate administration, divorce proceedings and other types of court orders, are exempt from the one-time registration fee. The vehicle must be transferred by court order and not by mutual agreement of the parties.

Example:

John and Mary own a Ford Explorer valued at $32,000 and a Chevrolet van valued $22,000. John and Mary get a divorce. In the divorce decree, John receives the Chevrolet van and Mary receives the Ford Explorer. The one-time registration fee is not due.

Example:

Mary and her spouse are divorcing. Mary owns a new Corvette. Her spouse has a Rockwell painting. Each are appraised at $80,000. Before the divorce, Mary transfers title of the Corvette to her spouse in exchange for the Rockwell painting. Since this transfer was not court ordered, Mary received consideration (Rockwell painting). Mary's spouse owes the one-time registration fee on the $80,000 Corvette.

Example:

Pete Baker owns a motor home worth $100,000. Pete passes away and is survived by his two children. Pete Baker's estate is worth $200,000. A court orders that it is to be divided equally between his son and daughter. The son takes the motor home, and the daughter takes all other property. Since the son received the motor home from his dad's estate, the one-time registration fee is not due.

Note: The results would be the same if Pete Baker did not have a will as long as there is a court order.

Example:

Pete Baker owns a motor home worth $100,000. Pete Baker passes away and is survived by his two children. The only other property in Pete's estate is a $20,000 checking account. His will gives his children all his property equally. A court order states that each child's share of the estate should be $60,000. The son wants the motor home and agrees to pay his sister $40,000 in cash. His agreeing to pay her $40,000 constitutes consideration, and the one-time registration fee is due on the $40,000.

Transfers without Court Order (by will and intestate)

Vehicles being titled as a result of inheritance without a court order or a will are exempt from the one-time registration fee.

> *"When a vehicle subject to registration is inherited, the county treasurer shall require the registrant to set forth the facts before such exemption is granted."*

Supporting documentation such as a copy of the will, death certificate, or a copy of the inheritance tax return may be requested at the discretion of the county treasurer to support the exemption.

EXEMPTION #8 OTHER continued
PURCHASED WITH NO INTENT TO USE VEHICLE IN IOWA

The most common types of exemptions:

- Nonresident move-in
- Nonresident in-transit
- Temporary use by a nonresident in Iowa
- Vehicles purchased in foreign countries

Nonresident Move-In

If a vehicle at the time of purchase was not intended to be used in Iowa, but later the owner moves to Iowa, an exemption applies and the one-time registration fee is not due on the vehicle.

> *"When an applicant for an Iowa registration has moved from another state with intent of changing residency to Iowa and if the vehicle subject to registration was purchased for use in the state from which the applicant moved and was not, at or near the time of such purchase, purchased for use in Iowa."*

The determination of whether a vehicle was purchased for use in Iowa is a factual determination. The following factors should be considered:

1. Length of time the person owned the vehicle prior to coming to Iowa. If the vehicle was purchased quite some time before arriving in Iowa, it might indicate the intent was to use the vehicle in the other state, rather than Iowa. Conversely, if the vehicle was purchased near the time of moving to Iowa, it might indicate an intent to use in Iowa.
2. Registration in the other state. Registration of the vehicle for use in another state might indicate that the vehicle was purchased for use in that state, rather than Iowa. If the person did not register the vehicle in the other state, this lack of registration may indicate that the vehicle was purchased for use in Iowa.
3. Mileage documentation. If the person can show through mileage documentation that substantial miles were driven in the other state, it might indicate an intent to use the vehicle in that state, rather than Iowa.

Example 1:

John Steed, a resident of Moline, Illinois, purchased a Jaguar from a dealership in Chicago, one week before he moved to Davenport, Iowa. At the time of purchase, Mr. Steed was aware of his upcoming move to Iowa. The vehicle was not registered in Illinois. Iowa's one-time registration fee is due at the time the vehicle is registered in Iowa because Mr. Steed intended to use the vehicle in Iowa.

Example 2:

Same facts as in Example 1, except Mr. Steed was not aware at the time of purchase that his employer would transfer him to Iowa and the vehicle was registered in Illinois. Mr. Steed's intent was not to use the vehicle in Iowa; therefore, Iowa's one-time registration fee is not due.

Nonresident in-transit

When a nonresident of Iowa purchases a vehicle subject to registration and acquires a nonresident in-transit registration, an exemption applies.

> *"When a nonresident of Iowa applies for a 'nonresident-in-transit' registration for a motor vehicle purchased in Iowa but which the person intends to permanently register in a state other than Iowa, the applicant shall execute and file an affidavit, in duplicate, with the office issuing the registration establishing this fact."*

Temporary use by a nonresident in Iowa

If a nonresident is registering a vehicle purchased outside of Iowa, and the nonresident is bringing the vehicle into Iowa for temporary use in Iowa, an exemption applies.

> *"All articles of tangible personal property brought into the state of Iowa by a nonresident individual thereof for the individual's use or enjoyment while within the state."*

Example:

Jim Strong, a resident of Texas, purchased a new Lexus while living in Texas and employed as an engineer in the United States Army. Jim's military orders temporarily assigned him to a base in Iowa. Jim Strong brought the Lexus he just purchased in Texas to Iowa, where it will be titled and registered. Since Mr. Strong purchased the Lexus for use in Texas and paid the one-time registration fee (or equivalent tax) to Texas, Iowa's one-time registration fee is not due on the vehicle.

Purchased in a Foreign Country

The determination of whether a vehicle was purchased for use in a foreign country or purchased for use in Iowa is a factual determination. In most instances, this applies to military service personnel. In these circumstances, the same three factors listed previously regarding moving from another state should be considered.

Example 1:

A soldier stationed in Germany purchases, titles, and registers a vehicle in Germany for traveling in Germany. At the time of purchase, the soldier has one year left on her service assignment in Germany. After the one year, the soldier is reassigned to Iowa. The soldier titles and registers the same vehicle in Iowa. Since the soldier purchased the vehicle to travel Germany with no intent for use in Iowa at the time of purchase, then the one-time registration fee is not due.

Example 2:

A soldier purchases a vehicle while stationed in Germany. The soldier will ship the vehicle to his next duty station. The soldier receives his orders; his next duty station will be Iowa. The vehicle is shipped to Iowa. When the soldier purchased the vehicle, the soldier had no intent to use the vehicle in Germany. Iowa's one-time registration fee is imposed on the soldier's purchase price, in U.S. currency.

EXEMPTION #8 OTHER continued
HOMEMADE VEHICLES

Homemade vehicles subject to registration are exempt from the one-time registration fee upon the first registration if sales or use tax was paid on the parts purchased at retail used to build the vehicle. If proof of the tax having been paid is not provided, the price subject to the one-time registration fee is fair market value.

> *"The term 'homemade vehicle subject to registration' shall include such things as homemade automobiles, trucks, trailers, motorcycles and motorbikes, but shall not include those vehicles subject to registration which are made by a manufacturer engaged in the business for the purpose of sales or rental."*

This rule is not applicable when a homemade vehicle is being registered other than for the first registration.

A UT510 form must be filled out for all homemade vehicle exemptions.

EXEMPTION #8 OTHER continued
AMOUNT PAID TO ANOTHER STATE

When a vehicle is purchased in another state for use in Iowa, credit can be allowed for a state one-time registration fee (or equivalent tax) paid to the other state. For the credit to apply, the person must show proof they were legally required to pay a state one-time registration fee, a state sales/use tax, or a state occupational tax to the other state. Evidence of the payment may include purchase records, cancelled checks, invoices or some form of documentation by the other state. This would be sufficient proof the amount was paid to the other state.

Example:

John and Angel Banks are Iowa residents. While they were in Nevada, they purchased a new camper for $20,000. Nevada did not require the Banks to pay a state one-time registration fee or a state sales, use, or occupational tax. John and Angel Banks brought the camper back to Iowa. The camper requires an Iowa title and registration. Since no state one-time registration fee or state sales, use, or occupational tax was paid to the State of Nevada, Iowa's one-time registration fee is due on the purchase price of $20,000.

Example:

John Henry is an Iowa resident and spends the winter months in Florida. John decides to purchase a new Buick in Florida for $35,000 from Florida Auto Sales. John is required to pay 5 percent Florida state sales tax. John Henry chooses not to title or register the Buick in Florida. After spending the winter months in Florida, John returns to Iowa and brings his new Buick. Since John had to pay a 5 percent Florida state sales tax, Iowa's one-time registration fee is not due when he registers the vehicle in Iowa.

Example:

Iowa resident Betty Keen purchases a Ford for $25,000 while she is in Arizona. Betty was required to pay an Arizona state sales tax of 2 percent and a county tax of 1 percent. Betty returns to Iowa with the Ford. She has a bill of sale showing a breakdown as follows:

Purchase Price.....$25,000
Arizona State Sales Tax.....$500
Arizona County Tax $250
Total Amount Due $25,750

When Betty titles and registers the Buick in Iowa, the 5 percent Iowa one-time registration fee would be $1,250. Betty receives credit only for the Arizona state sales tax of $500.

Iowa one-time registration fee is as follows:

Iowa One-Time Registration Fee.....$1,250
Less Arizona State Sales Tax $500
Iowa One-Time Registration Fee Due.....$750

Example:

Iowa resident Spike Jones purchases an $80,000 Lexus in California and is required to pay a 9 percent California state sales tax of $7,200. Spike Jones returns to Iowa with the Lexus. Spike Jones' bill of sale shows:

Purchase Price.....$80,000
California State Sales Tax ....$ 7,200
Total Amount Due $87,200

When Spike Jones titles and registers the Lexus in Iowa, the 5 percent Iowa one-time registration fee would be $4,000. Since Spike Jones paid a California state sales tax of $7,200, which was more than the Iowa one-time registration fee, the Iowa one-time registration fee is not due.

EXEMPTION #8 OTHER continued

This category is for any exemptions not covered by exemptions 1-7. If this “other” category is used, a full and detailed explanation must be attached.

Note: Proper use of the “other” category includes correction of title, qualifying sales to Native American Indians, salvage titles, returned vehicles, registration by manufacturers, vehicles directly and primarily used in recycling, or any miscellaneous exempt transaction.

“Directly and primarily used in recycling” means that the vehicle is used more than 50 percent of the time in the process of obtaining waste to be remanufactured into another product.

Example:

Stan Perkins purchases a garbage truck to be used primarily to collect bottles and transport them to a bottle recycling plant. No one-time registration fee is due. However, if the garbage truck is primarily used to pick up bottles to be taken to the landfill and not to be recycled, then the purchase of the truck is subject to the one-time registration fee.

ONE-TIME REGISTRATION FEE ON LEASED VEHICLES

Qualifying vehicles

A vehicle subject to registration with a gross vehicle weight rating of less than 16,000 pounds AND leased for 12 months or longer is subject to the one-time registration fee based on the lease price rather than the purchase price.

If either the weight or lease term requirement is not met, the one-time registration fee is due on the purchase price.

Effective 7-1-09, these provisions also apply to motorcycles and motorized bicycles.

Example:

John leases a car weighing 13,000 pounds for nine months. Since the lease is less than 12 months, the lessor pays the one-time registration fee on its purchase price.

Example:

John leases a car weighing 16,000 pounds for 24 months. Since the weight is not less than 16,000 pounds, the lessor pays the one-time registration fee on its purchase price.

Imposed on lessor

By law, the one-time registration fee on leased vehicles is the liability of the owner (lessor) and not the lessee.

Iowa law does not prohibit a lessor to require the lessee to reimburse the lessor, by adding the one-time registration fee to the monthly lease payment or by requiring the lessee to pay the one-time registration fee up front to the lessor or county treasurer.

Imposed on lease, not vehicle

The one-time registration fee on leased vehicles is imposed on the terms of the lease and not on the purchase price of the leased vehicle.

Exemptions

The one-time registration fee on leased vehicles is not imposed in the following situations:

(1) Vehicles leased to entities listed in Iowa Code section 423.3, subsections 17, 18, 19, 20, 21, 22, 26, 27, 28, 31, and 79, to the extent those entities are exempt from Iowa sales/use tax. See pages 19, 20, and 21 of this Manual for a description of these entities.

(2) A vehicle leased directly to a federal, state, or local governmental agency and titled in an individual's name pursuant to a governmental program authorized by law.

An Iowa UT510 Exemption Certificate using exemption #2 must be filed with the county treasurer at the time of application for registration.

Refunds

If the lessee moves out-of-state prior to the end of the lease or terminates the lease prior to the full contract term of the lease, no refund is allowed.

Refunds may be allowed:

1. under the Iowa Lemon Law (only the manufacturer may file for a refund);
2. if the One-Time Registration Fee on Leased Vehicles Worksheet was computed in error and an overpayment was made to the Iowa Department of Revenue; or

3. if the one-time registration fee was paid on the purchase price and not lease price; or
4. if the lease was voided.

Note: Although the lessee may have paid the one-time registration fee, the incidence of the one-time registration fee is on the lessor, and only the lessor is eligible to file a claim for refund.

How to complete the Worksheet to Determine One-Time Registration Fee on Leased Vehicles

Jim Jones Example

- Jim Jones leased a vehicle for 36 months.
- At the beginning of the lease, Jim received $12,000 in trade-in value for his personal vehicle.
- Jim's monthly lease payment is $780.
- Jim Jones' Worksheet to Determine One-Time Registration Fee on Leased Vehicles is shown on the following page.

Jim Jones Example

Iowa Department of REVENUE

Worksheet to Determine
One-Time Registration Fee on Leased Vehicles
https://tax.iowa.gov

NOTE: Move-Ins Do Not Use this Form. Please Complete the Worksheet to Determine One-Time Registration Fee on Leased Vehicles for Move-Ins (Form #35-051)

1. Enter the monthly lease payment to be paid by the lessee. 1. 780.00
2. Enter the total number of months in the term of the lease ..... X 2. 36
3. Multiply line 1 by line 2 to determine the total base lease payments. ..... = 3. 28,080.00
4. Enter total up-front fees (not capitalized) that are paid by the lessee. 4. 0
5. Enter the amount of any capitalized cost reduction (Examples: cash, trade-in value, rebates) 5. 12,000.00
6. Add lines 3, 4, and 5 and enter total here. 6. 40,080.00
7. List the cost of each of the following items if items if included in line 6 above:

   a. Title fees ..... a. _____

   b. Registration fees ..... b. _____

   c. One-time registration fee on leased vehicles

      1. Multiply line 6 by .05 ..... c1. 2,004.00

      2. Divide the amount on line c1 by 1.05 ..... c. 1,908.57

   d. Federal excise tax ..... d. _____

   e. Optional service or warranty contract ..... e. _____

   f. Insurance ..... f. _____

   g. Manufacturer's rebate ..... g. _____

   h. Refundable deposit ..... h. _____

   i. Finance charges applicable on any of the above-excluded items ..... i. _____

   TOTAL OF ITEMS a - i / enter on line 7. 1,908.57 7. 1,908.57

8. Subtract line 7 from line 6 and enter the total here. This is the "Lease Price" that is to be entered on the "Application of Title" form. 8. 38,171.43
9. Multiply the amount entered on line 8 by 5% to determine the one-time registration fee due to the State of Iowa. NOTE: Line 7c and line 9 may vary; this is acceptable. ..... X .05 = 9. 1,908.57

Application of Title

The "Lease Price" reflected on line 8 should be listed on the "Application of Title" form to the left of the area designated for the "Signature of Applicant 1." A check to the county treasurer in the amount indicated in line 9 should accompany your "Application of Title" form and license fees. You should also submit a UT-510 exemption certificate form indicating this is a "leased vehicle" in the blank designated as "other" on this form.

35-050 (8/8/16)

How to complete the Worksheet to Determine One-Time Registration Fee on Leased Vehicles for Move-Ins

When a lessee moves to Iowa, the one-time registration fee is due on the remaining lease term.

David Brown Example

- David Brown, a resident of Minnesota, leased a vehicle for 36 months on April 1, 2014.
- At the beginning of the lease, David paid up-front fees of $2,500 and received $5,000 in trade-in value for his personal vehicle.
- David moved to Iowa on July 31, 2016.
- As of Aug 1, 2016, David had a remaining lease of 8 months.
- David's monthly lease payment is $650.
- David Brown's Worksheet to Determine One-Time Registration Fee on Leased Vehicles for Move-Ins is shown on the following page.

David Brown Example

Iowa Department of REVENUE

Worksheet to Determine
One-Time Registration Fee on Leased Vehicles for Move-ins
https://tax.iowa.gov

NOTE: This Form is to be Used Only for Move-Ins. All Others Complete the Worksheet to Determine One-Time Registration Fee on Leased Vehicles (Form #35-050)

1. Enter the monthly lease payment to be paid by the lessee. 1. 650.00
2. Enter the total number of months in the term of the lease..... X 2. 36
3. Multiply line 1 by line 2 to determine the total base lease payments..... = 3. 23,400.00
4. Enter total up-front fees (not capitalized) that are paid by the lessee..... 4. 2,500.00
5. Enter the amount of any capitalized cost reduction (Examples: cash, trade-in value, rebates)..... 5. 5,000.00
6. Add lines 3, 4, and 5 and enter total here..... 6. 30,900.00
7. List the cost of each of the following items if included in line 6 above:

   a. Title fees ..... a. _____

   b. Registration fees ..... b. _____

   c. Federal excise tax ..... c. _____

   d. Optional service or warranty contract ..... d. _____

   e. Insurance ..... e. _____

   f. Manufacturer's rebate ..... f. _____

   g. Refundable deposit ..... g. _____

   h. Finance charges applicable on any of the above-excluded items ..... h. _____

   TOTAL OF ITEMS a – h / enter on line 7. _____ 7. 0

8. Subtract line 7 from line 6 and enter the total here. 8. 30,900.00
9. Divide the amount on line 8 by line 2 and enter here..... 9. 858.33
10. Enter the number of months remaining on the lease when the vehicle is registered in Iowa..... X 10. 8
11. Multiply the amount on line 9 by line 10 and enter here. This is the "Lease Price" that is to be entered on the "Application of Title" form..... = 11. 6,866.64
12. Multiply the amount entered on line 11 by 5% to determine the one-time registration fee due to the State of Iowa.. ..... X .05 = 12. 343.33

Application of Title

The "Lease Price" reflected on line 11 should be listed on the "Application of Title" form to the left of the area designated for the "Signature of Applicant 1." A check to the county treasurer in the amount indicated in line 12 should accompany your "Application of Title" form and license fees. You should also submit a UT-510 exemption certificate form indicating this is a "leased vehicle" in the blank designated as "other" on this form.

35-051 (8/8/16)

Credit allowed for these states

A credit for amounts paid to the following states may be used toward the one-time registration fee. To be eligible for the credit, the amount paid to the other state must be a sales, use, or occupational tax, with incidence of the tax on the lessor.

■ Illinois ■ Nevada ■ Texas

Credit toward Iowa's one-time registration fee is allowed only for amounts previously paid to another state for the remaining term of the lease (from the date the vehicle enters Iowa to the termination date of the lease).

How to complete the One-Time Registration Fee on Leased Vehicles Out-of-State Credit Worksheet

Note: In addition to the One-Time Registration Fee on Leased Vehicles Out-of-State Credit Worksheet, the Worksheet to Determine One-Time Registration Fee on Leased Vehicles for Move-Ins must also be completed.

Lisa Smith Example

- Lisa Smith, a resident of Illinois, leased a vehicle for 36 months on June 1, 2014.
- Illinois state sales tax of $1,150 was paid up-front by the lessor.
- Lisa moved to Iowa on July 31, 2016.
- As of Aug. 1, 2016, Lisa had a remaining lease of 10 months.
- Lisa's monthly lease payment is $700.00.
- Lisa's Worksheet to Determine One-Time Registration Fee on Leased Vehicles for Move-Ins calculated the one-time registration fee due to Iowa as $350.
- Lisa Smith's One-Time Registration Fee on Leased Vehicles Out-of-State Credit Worksheet is shown on the following page.

Lisa Smith Example

Iowa Department of REVENUE

One-Time Registration Fee on Leased Vehicles
Out-of-State Credit Worksheet
https://tax.iowa.gov

This worksheet is for use by county treasurers only.
It calculates the amount of one-time registration fee due to Iowa
when a lessee brings a leased vehicle into Iowa.

This worksheet may be used only if the leased vehicle is moving into
Iowa from one of the states listed below:

- Illinois
- Nevada
- Texas

1. Enter the qualifying amount paid up-front to the other state 1. 1,150.00

2. Enter the total number of months in the term of the lease..... 2. 36

3. Divide line 1 by line 2 ..... 3. 31.94

4. Enter the number of months from the time the vehicle is registered
In Iowa until the expiration of the lease 4. 10

5. Multiply line 3 by line 4 ..... 5. 319.40

6. Compute the amount of Iowa one-time registration fee due on
the lease for the remaining months
(See the Worksheet to Determine One-Time Registration Fee
on Leased Vehicles for Move-ins) 6. 350.00

7. Subtract line 5 from the amount computed for line 6..... 7. 30.60
The difference shown is the amount of Iowa's one-time registration
fee. If the difference is zero or a negative amount, enter zero.

Iowa law does not allow for refunds of the one-time registration fee.

88-002 (8/8/16)

Lessee terminates lease to purchase

When a lessee chooses to terminate a lease and purchases the car being leased, the purchase is subject to the one-time registration fee on the purchase price. This situation involves two separate transactions and two separate one-time registration fees are imposed.

The first is a lease subject to the one-time registration fee on the lease price, and the second is a purchase of tangible personal property (car) which is subject to the one-time registration fee on the purchase price. The imposition of the one-time registration fee on the purchase is not impacted by whether the lessee was required under the lease agreement to pay the one-time registration fee on behalf of the lessor.

Example:

Willie Adams is leasing a car from GM Leasing for 60 months. Willie wants to terminate the lease early and purchase the car from GM Leasing. GM Leasing agrees to sell the car to Willie for $30,000.

Willie pays $10,000 in cash and takes out a loan for the $20,000 balance. GM Leasing receives $30,000 (consideration for selling the car to Willie). Willie owes the one-time registration fee on the $30,000.

Example:

Mike Johnson leases a car for 12 months. After the lease expires, Mike has an option to purchase the car for $12,000. Mike exercises his option and gives the lessor (Ford Motor Credit Leasing) $12,000 in cash. Ford Motor Credit Leasing receives consideration in the amount of $12,000. Mike owes the one-time registration fee on $12,000.

Extending a Lease or Re-lease of the Same Vehicle

When an existing lease is extended for an additional period, the lessor owes the Iowa one-time registration fee on the lease extension. Also, at the conclusion of a lease, if the lessor enters into a new lease of the same vehicle, the fee is due on the new lease. Since the vehicle has already been registered with the County Treasurer, the additional one-time registration fee must be paid directly to the Iowa Department of Revenue. Lessors should contact the Department for information on how to register to make these payments.

Example:
A vehicle is leased for two years. At the conclusion of the lease, the parties agree to a one year extension of the lease, with the lessor maintaining ownership of the vehicle. Since the vehicle has already been registered with the County Treasurer the one-time registration fee on the lease extension must be paid directly to the Iowa Department of Revenue.

Example:
A vehicle is leased for two years. At the conclusion of the lease, the lessor re-leases the vehicle to another lessee, with the lessor maintaining ownership of the vehicle. Since the vehicle has already been registered with the County Treasurer the one-time registration fee on the new lease must be paid directly to the Iowa Department of Revenue.

Transferring a Lease

If an existing lease is transferred to another lessee, no additional one-time registration fee is due, as long as title to the vehicle is maintained by the same lessor.

Example:
A vehicle is leased for two years. After six months, the lessee returns the vehicle to the lessor. The lessor transfers the existing lease to another lessee, with the lessor maintaining ownership of the vehicle. Since the one-time registration fee was paid at the origination of the lease, no additional one-time registration fee is due.

Questions? Or For More Information…

For further assistance, please contact the Iowa Department of Revenue, Taxpayer Services.

To talk to a tax specialist:

(515) 281-3114 (Greater Des Moines area), or

(800) 367-3388 (Iowa, Omaha, Rock Island, Moline only)

e-Mail a tax specialist:

idr@iowa.gov

Our website:

www.iowa.gov/tax