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**Mission Statement:**

The statutory mission of the Iowa Department of Revenue is to serve Iowans and support state government by collecting all taxes required by law, but no more.

## Sales Tax Information:

### Amusement Devices in Restaurants & Bars



Some restaurants and bars have amusement devices available for their customers to use. Typically, the devices work in the following manner:

- A customer puts money in the amusement device.
- The device may dispense tickets that can be redeemed toward the purchase of an item, such as food or a beverage.
- The customer gives the tickets to the restaurant or bar when purchasing the item, and the customer receives the item for a reduced amount or free of charge.

In some cases, the restaurant or bar owns the amusement device. In other situations, the restaurant or bar allows a device owned by another person to be installed in their place of business; in return for allowing the device on their premises, the restaurant or bar may receive a set fee or a portion of the proceeds from the device.





### Proceeds from Amusement Devices

Iowa sales tax is due on the sales price from the operation of amusement devices ([Iowa Administrative Rule 701-16.26](#)). The tax is collected and remitted to the Department by the owner of the device.

- When the restaurant or bar owns the device, it must collect and remit the sales tax.
- When the device is not owned by the restaurant or bar, the owner of the device must collect and remit sales tax. The initial taxable transaction is between the device owner and the customer who puts money into the device. The restaurant or bar does not owe any sales tax on the amount of the proceeds given to it by the device owner. The sales tax collected and remitted by the device owner is based on the total sales price from the operation of the device, with no deduction allowed for any proceeds given to the restaurant or bar.

**NOTE:** The amusement device must clearly indicate sales tax is included in the amount required to use the device ([Iowa Administrative Rule 701-212.1](#)).



## Taxability of Items Purchased with Tickets

When a customer uses a ticket from an amusement device to purchase an item at a discount, the item is subject to sales tax as follows:

- If the restaurant or bar is reimbursed for the discount by the owner of the device or any other person, sales tax is due on the original sales price of the item.
- If the restaurant or bar is not reimbursed for the discount, sales tax is due on the reduced price of the item.

Example 1: A customer plays an amusement device and receives a ticket good for \$2 off a hamburger. The normal cost of the hamburger is \$5. The customer pays the restaurant/bar \$3 in cash plus the ticket in exchange for the hamburger. The owner of the device reimburses the restaurant/bar for the \$2 value of the ticket. In this situation, the restaurant/bar must collect and remit Iowa sales tax on the full \$5 sales price of the hamburger. The restaurant/bar made a retail sale in the amount of \$5, with payment from two different sources – \$3 paid by the customer and \$2 paid by the amusement device owner.

Example 2: Same set of facts as Example 1, but in this case, the owner of the amusement device does not reimburse the restaurant/bar the \$2 value of the ticket. In this situation, the restaurant/bar must collect and remit Iowa sales tax on the reduced sales price of \$3. The restaurant/bar made a retail sale in the amount of \$3, absorbing the cost of the \$2 ticket.

Example 3: A customer plays an amusement device and receives a ticket for a free cola. The normal cost of the cola is \$1.50. Other than the ticket, the customer pays nothing to the restaurant/bar in exchange for the cola. The restaurant/bar receives reimbursement from the owner of the amusement device for the \$1.50 value of the ticket. In this situation, the restaurant/bar must collect and remit Iowa sales tax on the full \$1.50 sales price of the cola. The restaurant/bar made a retail sale in the amount of \$1.50, with payment coming from the amusement device owner on behalf of the customer.



Example 4: Same set of facts as Example 3, but in this case, the owner of the amusement device does not reimburse the restaurant/bar the \$1.50 value of the ticket. In this situation, the customer does not owe Iowa sales tax. The restaurant/bar did not make a retail sale of the cola; instead, the restaurant/bar provided the cola free of charge, absorbing the cost of the ticket.

**NOTE:** In Example 4, the restaurant/bar owes sales tax on their cost (not the normal selling price) of the cola provided to the customer. This is the case because cola is a taxable product when purchased. Had the item provided free of charge been a hamburger, the restaurant/bar would not owe sales tax on their cost of the ingredients, because those ingredients would be exempt when purchased. See our [Iowa Sales Tax on Food](#) publication for more details about the taxability of certain items.

## Questions?

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1-800-367-3388  
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TDD - Deaf and hearing assistance: 515-242-5942  
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## Vision Statement

Iowa will be a state where it is easy to understand and comply with tax obligations.

<https://tax.iowa.gov>