



# Iowa Automobile Rental Tax

Information for businesses  
from the

**IOWA**  Department of **REVENUE**

# What is Automobile Rental Tax?

A state excise tax imposed on:

- the rental of passenger vehicles;
- designed to carry nine or fewer passengers; and
- rented for a period of 60 days or less.

# Does Auto Rental Tax Apply to Rental of All Vehicles?

No.

The tax is not imposed on:

- delivery trucks;
- motorcycles; and
- motorized bicycles.

# What Is the Auto Rental Tax Rate?

The rate is **5%** on the rental of qualifying vehicles, and applies everywhere in the State of Iowa.

# Are There Any Exemptions From the Auto Rental Excise Tax?

**Yes, the following are not subject to auto rental tax:**

- contracts for periods of more than 60 consecutive days. To qualify, the renter must contract to rent for a single period of more than 60 days and cannot accumulate these days;
- contracts made directly with federal or Iowa state/local government entities and Iowa schools; or
- others exempt from Iowa sales/use tax.

# What Is Meant by a Contract Made “Directly” With a Government or School?

Rentals paid for directly by federal or Iowa state/local government entities and Iowa schools are exempt. However, vehicles rented to government or school employees who are paying with cash, personal check, or personal credit card are subject to tax. This is true even if the employees will be reimbursed by the government or school.

# Are Auto Rentals Subject to Sales Tax and Local Option Sales Tax?

Yes.

The auto rental tax is **in addition to** Iowa sales tax and local option tax.

# Do I Need a Special Permit to Collect Auto Rental Excise Tax?

No.

The state sales or use tax permit is the only permit required.

# How Do I Report and Pay Auto Rental Excise Tax?

- Auto rental tax is reported and paid to the State of Iowa along with the state sales or use tax.
- Retailers show a breakdown of auto rental excise tax on their sales or use tax quarterly returns.
- Tax returns are filed electronically through the Department's online service [eFile & Pay](#).

# Questions?

- Call us: 8 a.m. - 4:15 p.m. CT  
515-281-3114 or  
1-800-367-3388 (Iowa, Omaha, Rock Island, Moline)
- E-mail us at [idr@iowa.gov](mailto:idr@iowa.gov)