
NEWS BULLETIN



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IOWA SALES AND USE TAX: EXEMPTION FOR CENTRAL OFFICE EQUIPMENT AND TRANSMISSION EQUIPMENT USED IN TELECOMMUNICATIONS OPERATIONS

On June 2, 2006 legislation was signed by Iowa Governor Vilsack regarding the gradual phase-in of a sales and use tax exemption for "central office equipment" and "transmission equipment" purchased for use in telecommunications operations.

Central Office Equipment is defined as any equipment used in the initiating, processing, amplifying, switching, or monitoring of telecommunications services. Transmission equipment includes equipment used in the process of sending information from one location to another. Qualifying equipment also includes ancillary equipment and apparatus which support, regulate, control, repair, test, or enable central office equipment or transmission equipment to accomplish its relative functions.

The exemption has been enacted to "phase-in" over the period of seven years. For instance, if a qualifying purchase occurs during the period of July 1, 2006 through June 30, 2007 one-seventh of the tax paid is eligible for a refund. Purchases made in each subsequent one year period are eligible for an additional one-seventh refund. Thus, after June 30, 2012 the entire sale is exempt from sales or use tax.

To receive a timely refund, Form IA843 must be filed with the IA Department of Revenue no later than six months after the month in which the purchase occurred. Until the logistics are final, it is recommended that you include the following description of the refund claim in the "Reason for refund request" line:

"Request for refund relates to Senate File 2390 regarding the exemption for central office equipment and transmission equipment used in telecommunications."

Also provide adequate documentation to show how the exemption amount was computed along with a description of how the equipment qualifies for the exemption under the new law.

If you have any questions or need assistance with filing, please contact Cheryl Ellefson at 651-486-4576.

Circular 230 Notice: IRS regulations require us to advise you that, unless otherwise specifically noted, any federal tax advice in this communication (including any attachments, enclosures, or other accompanying materials) was not intended or written to be used, by any taxpayer for the purpose of avoiding tax-related penalties imposed under the U.S. Internal Revenue Code or any other applicable state or local tax law provision; furthermore, this communication was not intended or written to support the promoting, marketing or recommending of any of the transactions or matters it addresses.

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