

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

IN THE MATTER OF GREAT PLAINS STRUCTURES 3301 LABORE RD VADNAIS HEIGHTS MN 55110-5149 SALES/USE/EXCISE	DECLARATORY ORDER DOCKET NO. 1371501
--	--

Pursuant to a Petition for Declaratory Order ("Petition") filed with the Iowa Department of Revenue ("Department") by GREAT PLAINS STRUCTURES (hereinafter referred to as "Petitioner") on 6/18/2026, and in accordance with Iowa Code section 17A.9(2026) and Iowa Administrative Code rule 701—4.7(17A),¹ "Declaratory order-in-general," the Director issues the following order.

I. FACTS

The findings of fact are based on the Petition submitted to the Department. Petitioner is a contractor that designs and installs steel storage tanks. The materials used in construction and installation of the storage tanks are shipped from the manufacturer to the building site, typically through an independent carrier. Freight charges related to the delivery of these materials are billed separately.

II. ISSUE PRESENTED

Are freight charges that are billed separately to the purchaser subject to sales tax?

III. STANDARD OF REVIEW

¹ As of July 1, 2026, Iowa Administrative Code rule 701—4.7 on Declaratory Orders is rescinded. 2026 Iowa Acts, Senate File 2463, Section 4, Subsection 4. The Department of Revenue's Administrative Code rules on Declaratory Orders are now found in Iowa Administrative Code chapter 701—2503. As the Petition was filed prior to this date, citations are made to rule 4.7.

A. Declaratory Orders under the Iowa Administrative Procedure Act

Iowa's Administrative Procedure Act ("IAPA") was enacted "to provide a minimum procedural code for the operation of all state agencies when they take action affecting the rights and duties of the public." Iowa Code § 17A.1(2). Under the IAPA, "[a]ny person may petition an agency for a declaratory order as to the applicability to specified circumstances of a statute, rule, or order within the primary jurisdiction of the agency." *Id.* at § 17A.9(1)(a). The IAPA also describes agency rights and responsibilities with respect to declaratory order proceedings. *Id.* at § 17A.9(8). Pursuant to Iowa Code section 17A.9(2), the Department adopted Iowa Administrative Code rule 701—4.7, which outlines department-specific rules governing declaratory orders.

The purpose of a declaratory order is to provide a "generally available means for persons to obtain reliable information about agency administered law as it applies to their particular circumstances." *Sierra Club Iowa Chapter v. Iowa Dep't of Transp.*, 832 N.W.2d 636, 647 (2013) (citing Arthur Earl Bonfield, *Amendments to Iowa Administrative Procedure Act, Report on Selected Provisions to Iowa State Bar Association and Iowa State Government*, 1–8 (1998)). Declaratory orders are not contested cases that "entitle[] parties affected by the agency action to an adversarial hearing" in order to "adjudicate disputed facts pertaining to particular individuals in specific circumstances." *Greenwood Manor v. Iowa Dep't of Pub. Health, State Health Facilities Council*, 641 N.W.2d 823, 834 (Iowa 2002); *see also* Iowa Code § 17A.12. Instead, the IAPA "contemplates declaratory rulings by administrative agencies on purely hypothetical sets of facts." *City of Des Moines v. Pub. Emp't Relations Bd.*, 275 N.W.2d 753, 758 (Iowa 1979).

As such, “[t]he procedure established by section 17A.9 allows persons to seek formal opinions on the effect of future transactions and arrange their affairs accordingly.” *Bennett v. Iowa Dep’t of Nat. Res.*, 573 N.W.2d 25, 26 (Iowa 1997). Declaratory orders issued by an administrative agency do, however, have “the same status and binding effect as any final order issued in a contested case proceeding.” Iowa Code § 17A.9(7). The Department’s rules governing declaratory orders are consistent with this understanding of the role of declaratory orders in administrative procedure. See Iowa Admin. Code r. 701—4.7.

B. Statutory Construction and Interpretation of Tax Statutes

“When engaging in statutory interpretation,” the Department “first examine[s] the language of the statute and determine[s] whether it is ambiguous.” *Kay-Decker v. Iowa State Bd. of Tax Review*, 857 N.W.2d 216, 223 (Iowa 2014) (citing *Rolfe State Bank v. Gunderson*, 794 N.W.2d 561, 564 (Iowa 2011)). “Generally, we presume words used in a statute have their ordinary and commonly understood meaning.” *Id.* (quoting *McGill v. Fish*, 790 N.W.2d 113, 119 (Iowa 2010)). “[L]egislative intent is expressed by what the legislature has said, not what it could or might have said. When a statute’s language is clear, we look no further for meaning than its express terms. Intent may be expressed by the omission, as well as the inclusion . . . of statutory terms” *Hawkeye Land Co. v. Iowa Utils. Bd.*, 847 N.W.2d 199, 210 (Iowa 2014) (quoting *State v. Beach*, 630 N.W.2d 598, 600 (Iowa 2001)). The Iowa Supreme Court, in *Chickasaw County Board of Review v. Property Assessment Appeal Board*, determined that “we will construe tax statutes according to their ordinary meaning and apply the same principles of construction we apply to any other type of statute.” 36 N.W.3d 273, 283 (2026).

IV. DISCUSSION

Sales tax applies to the sales price of taxable retail sales and services. Iowa Code section 423.1(51) defines sales price as “the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise.” This definition goes on to specify items that are included in the sales price, including delivery charges. Iowa Code § 423.1(51)(a)(4). However, delivery charges are not included in the sales price “if they are separately contracted for, separately stated on the invoice, billing, or similar document given to the purchaser, and the amounts represent charges which are not the sales price of a taxable sale or of the furnishing of a taxable service.” *Id.* § 423.1(51)(c). Iowa Administrative Code rule 701—204.8(1) further clarifies the taxability of delivery charges:

[w]hen tangible personal property or a taxable service is sold at retail in Iowa or purchased for use in Iowa and under the terms of the sale agreement the seller is to deliver the property to the buyer or the purchaser is responsible for delivery and such delivery charges are stated and agreed to in the sale agreement or the charges are separate from the sale agreement, the sales price of the freight or transportation charges is not subject to tax.

As long as the charges at issue in the Petition meet the requirements stated in Iowa Code section 423.1(51)(c) and Iowa Administrative Code rule 701—204.8(1), they are not subject to sales tax.

Iowa Code section 423.1(51)(c) provides that, in order for freight charges to be exempt from sales tax, they must both be separately contracted for or separately stated on the invoice, and they must not represent the sales price of a taxable sale or service. According to the facts provided by the Petitioner, freight charges related to the delivery of

materials for their business are charged separately. In Iowa, services are not taxable unless they are specifically enumerated under Iowa Code section 423.2(6). Delivery charges in general are not an enumerated service, and therefore are not subject to sales tax. Since the freight charges are separately stated on the invoice and do not represent the sales price of a taxable sale or service, they are not subject to sales tax.

V. CONCLUSION

The freight charges at issue in this Petition do not represent the sales price of a taxable sale or service. The Petitioner also asserts that the charges are separately stated on the invoice. Therefore, the freight charges are excluded from the sales price under Iowa Code section 423.1(51)(c) and are not subject to tax. Future transactions of freight charges are not subject to tax as long as they continue to meet the requirements stated above.

ORDER

THEREFORE, based on the facts presented, foregoing reasoning, and applicable provisions of the law, the Director finds:

Petitioner does not owe sales tax on freight charges that are separately stated on the invoice and do not represent the sales price of a taxable sale or service.

Issued at Des Moines, Iowa this 2nd day of August, 2026.

IOWA DEPARTMENT OF REVENUE

By Mary Mosiman
Mary Mosiman, Director