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

IN THE MATTER OF SITBIT LLC 6701 CORPORATE DR STE N JOHNSTON, IA 50131 SALES/USE	**DECLARATORY ORDER** DOCKET NO. 1302522

Pursuant to a Petition for Declaratory Order ("Petition") filed with the Iowa Department of Revenue ("Department") by SITBIT LLC ("Petitioner") on April 7, 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 facts below are based solely on the Petition. Petitioner is an Iowa company whose primary business activity is mining Bitcoin. Petitioner is in the process of acquiring application-specific integrated circuit (ASIC) hardware that it will utilize to mine Bitcoin, a cryptocurrency. With the ASIC hardware, Petitioner performs computations using unconfirmed Bitcoin transaction data and single-use variable numbers to produce a hash code. When a hash code is generated that meets the Bitcoin network's requirements, Petitioner receives newly issued Bitcoin. Once this process takes place, the Bitcoin cannot be reduced back to the numbers used as inputs. The resulting Bitcoin is a cryptocurrency that can be sold for its fair market value.

[1] As of July 1, 2026, Iowa Administrative Code rule 701—4.7 on Declaratory Orders is rescinded. 2026 Iowa Acts, Senate File 2463, Section 4, Subsection 4.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.

According to Petitioner, the ASIC hardware is computing equipment that has no commercial use other than mining Bitcoin. Each of these hardware units contains integrated circuits that are made to perform the above-referenced computations to mine Bitcoin. After Petitioner purchases the hardware, Petitioner intends to utilize it in Iowa.

II. ISSUE PRESENTED

Petitioner presents one issue for consideration. Petitioner asks whether its purchase of the ASIC hardware used in its Bitcoin mining operation qualifies for the exemption in Iowa Code section 423.3(47)(a), specifically section 423.3(47)(a)(1), which exempts certain tangible personal property that is "[d]irectly and primarily used in processing by a manufacturer."

III. STANDARD OF REVIEW

Declaratory Orders under the Iowa Administrative Procedure Act

Iowa Code chapter 17A, the Iowa 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.* § 17A.9(1)(a). The IAPA also describes agency rights and responsibilities with respect to declaratory order proceedings. *Id.* § 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.

IV. <u>DISCUSSION</u>

Iowa Code section 423.3(47)(a)(1) exempts from Iowa sales tax "[t]he sales price from the sale of computers, computer peripherals, machinery, equipment, replacement parts, supplies, and materials used to construct or self-construct computers, computer peripherals, machinery, equipment, replacement parts, and supplies, if such items are . .

. [d]irectly and primarily used in processing by a manufacturer." Petitioner asserts that the ASIC hardware it uses qualifies for this exemption.The question presented in the Petition hinges on the final statutory language of the exemption: whether Petitioner's ASIC hardware is "used in processing by a manufacturer." Iowa Code § 423.3(47)(a)(1).

A. Petitioner is not engaging in processing.

One requirement to qualify for exemption under Iowa Code section 423.3(47)(a)(1) is that the property at issue must be "used in processing." Iowa Code section 423.3(47)(d)(5) defines "processing" as "a series of operations in which materials are manufactured, refined, purified, created, combined, or transformed by a manufacturer, ultimately into tangible personal property."[2] Iowa Code section 423.1(59) defines "tangible personal property" as "personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses. 'Tangible personal property' includes . . . prewritten computer software."

Petitioner describes its business as mining Bitcoin through a "computational manufacturing process." Pet. for Dec. Order, No. 1302522 (April 7, 2026) at 2. Petitioner states that it utilizes the ASIC mining hardware to perform computations. When one of these computations meets the Bitcoin network's difficulty target, the resulting end product is newly issued Bitcoin, a cryptocurrency.

Cryptocurrency is not defined in the Iowa Code. When ascertaining the meaning of a word not defined in code, the Department may look to the ordinary usage of the word, dictionary definitions, use in similar statutes, and the use of the word in court rulings. *Kay-Decker v. Iowa State Bd. of Tax Review*, 857 N.W.2d 216, 223 (Iowa 2014). Therefore,

[2] As explained in Section IV.C below, Petitioner is not a manufacturer. For that additional reason, Petitioner is not engaging in "processing" under Iowa Code section 423.3(47)(a)(1).

we look to dictionary definitions of “cryptocurrency.” Black’s Law Dictionary defines “cryptocurrency” as a “digital or virtual currency that is not issued by any central authority, is designed to function as a medium of exchange, and uses encryption technology to regulate the generation of units of currency, to verify fund transfers, and to prevent counterfeiting.” “Cryptocurrency,” Black’s Law Dictionary (12th ed. 2024). Bitcoin cannot be seen, weighed, measured, felt, touched, or otherwise perceived. It is an intangible asset that exists, by definition, only digitally or virtually.

As noted above, the definition of “tangible personal property” also includes prewritten computer software. Cryptocurrency also does not constitute prewritten computer software. Iowa Code section 423.1(11) defines “computer software” as “a set of coded instructions designed to cause a computer or automatic data processing equipment to perform a task.” Cryptocurrency is a virtual currency. It does not provide any instructions to a computer and does not cause a computer to process data or perform a task. The exemption at issue is limited to property used in “processing.” “Processing” is limited to activities that result in tangible personal property. Iowa Administrative Code rule 701—215.15 implements the exemption for which Petitioner believes it is eligible. This rule does not contain any additional definition of “processing” or any additional information relevant to the Petition. Because the result of Petitioner’s activities is not tangible personal property or prewritten computer software, Petitioner is not engaging in processing.[3]

B. Petitioner is not a manufacturer.

To qualify for exemption under Iowa Code section 423.3(47)(a)(1), the property at issue must in part also be used “by a manufacturer.” A “manufacturer” is “a business that

[3] Nothing in this declaratory order determines the taxability of any sale or use of Bitcoin, other cryptocurrency, or non-fungible token.

primarily purchases, receives, or holds personal property of any description for the purpose of adding to its value by a process of manufacturing with a view to selling the property for gain or profit." Iowa Code § 423.3(47)(d)(4)(a).[4] Petitioner describes its Bitcoin mining operation as using numerical inputs as its "raw materials" and performing computations utilizing the ASIC mining hardware.

The above-referenced definition of "manufacturer" requires that the addition to value takes place "by a process of manufacturing." In addition to the definition of "manufacturer," a definition of "manufacturing" exists in statute. "Manufacturing" is defined in Iowa Code section 423.3(47)(d)(4)(d)(ii) as "activities commonly understood within the ordinary meaning of the term, and shall include:

(A) Refining.

(B) Purifying.

(C) Combining of different materials.

(D) Packing of meats.

(E) Activities subsequent to the extractive process of quarrying or mining, such as crushing, washing, sizing, or blending of aggregate materials."

Petitioner is not engaging in any of the activities that this code section specifically lists as constituting manufacturing. The definition requires that the activity be manufacturing in the "ordinary meaning of the term." "Manufacturing" is not a term typically used to describe the acquisition of cryptocurrency or internet-based transactions like the one described by Petitioner. Mining cryptocurrency is not normally thought of as

[4] In the Petition, Petitioner includes a definition of "manufacturer" that does not exist anywhere in Iowa Administrative Code chapter 701—215. The definition included in the Petition is from an old version of the administrative code.

manufacturing a product. No further definition of "manufacturing" exists in Code or in Iowa Administrative Code rule 701—215.15.

Unlike "cryptocurrency," "manufacturing" has a statutory definition. However, the only definition of "manufacturing" in statute refers to the "ordinary meaning of the term." Therefore, we may look to the dictionary definition of the word. *Kay-Decker* at 223. Merriam-Webster defines "manufacture" as "[t]o make into a product suitable for use" and "[t]o make from raw materials by hand or by machinery. "Manufacture," merriam-webster.com, https://www.merriam-webster.com/dictionary/manufacture. (Accessed June 24, 2026). Here, Petitioner is not creating a product. It is "unlocking" or "mining" Bitcoin, a cryptocurrency. Petitioner is also not utilizing raw materials to make something in the sense a manufacturer would, but is instead using numerical inputs. Petitioner is not engaging in manufacturing in the ordinary meaning of the term and is therefore not "manufacturing" as defined in Iowa Code section 423.3(47)(d)(4)(d)(ii).

Iowa Code section 423.3(47)(d)(4)(c) enumerates certain activities as not fitting within the definition of "manufacturing." Petitioner points out that its activities are not specifically excluded from the definition of "manufacturing" in this section. However, this section specifically states that this enumerated list of exclusions is non-exhaustive. As discussed above, the described activity does not otherwise meet the definition of "manufacturing."

Iowa Code section 423.3(47)(d)(4)(d)(ii) lists "[a]ctivities subsequent to the extractive process of quarrying or mining" as being included in the definition of "manufacturing." This language recognizes traditional mining activities up to the extractive process are not part of "manufacturing." Petitioner asserts that its Bitcoin mining is comparable to these extractive processes because Bitcoin mining "produces a new asset through computational transformation." Even if we accept Petitioner's assertion, the plain language of section 423.3(47)(d)(4)(d)(ii) excludes the extractive process from the definition of "manufacturing." Petitioner does not assert it does anything to the Bitcoin after extraction comparable to the "crushing, washing, sizing, or blending of aggregate materials" described in section 423.3(47)(d)(4)(d)(ii). There is nothing in this section that includes mining cryptocurrency in the definition of "manufacturing."

In sum, Petitioner is not engaging in "manufacturing" in the "ordinary meaning of the term." Petitioner's activities also do not fall within the list of activities explicitly included in the definition of "manufacturing" in Iowa Code section 423.3(47)(d)(4)(d)(ii). Petitioner is therefore not engaging in a "process of manufacturing" as required to be a "manufacturer."

As discussed above, Petitioner is not a manufacturer and is not engaged in processing. Because Petitioner is not engaged in processing, the ASIC hardware is not being "directly and primarily" used by a manufacturer in processing under the provided facts. Accordingly, the Petitioner's purchase of ASIC hardware for use in its Bitcoin mining does not qualify for the exemption from Iowa sales tax under Iowa Code section 423.3(47)(a).

V. <u>CONCLUSION</u>

Iowa Code section 423.3(47)(a) exempts from Iowa sales tax "[t]he sales price from the sale of computers, computer peripherals, machinery, equipment, replacement parts, supplies, and materials used to construct or self-construct computers, computer peripherals, machinery, equipment, replacement parts, and supplies, if such items are…[d]irectly and primarily used in processing by a manufacturer." As discussed above, Petitioner is not acting as a manufacturer and its operation in which the ASIC hardware is used is not processing, therefore, the ASIC hardware purchased by Petitioner does not qualify for the exemption.

ORDER

THEREFORE, based on the facts presented, foregoing reasoning, and applicable provisions of the law, the question presented in Petitioner's Petition for Declaratory Order, Docket No. 1302522 is answered above.

Issued at Des Moines, Iowa this 21st day of July, 2026.

IOWA DEPARTMENT OF REVENUE

By Mary Mosiman

Mary Mosiman, Director