

Revenue Ruling 01-09-1 Nebraska Sales and Use Tax

INDUSTRIAL MACHINERY AND EQUIPMENT; RECIPROCAL EXEMPTION WITH THE STATE OF IOWA

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Issue:

Does the State of Nebraska provide a sales tax exemption for purchases of industrial machinery and equipment made by the State of Iowa and its political subdivisions?

Conclusion:

The State of Iowa has informed the Nebraska Department of Revenue (Department) that the sales tax reciprocity statutes of Nebraska and Iowa are too dissimilar to create reciprocity between the two states for these purchases. Therefore, as of September 1, 2009, purchases of industrial machinery and equipment, including parts for repairs, made by Iowa and its political subdivisions in Nebraska are taxable. Purchases of other tangible personal property and taxable services remain subject to sales tax.

Analysis:

[Neb. Rev. Stat. §77-2704.43](#) provides: "Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases of industrial machinery and equipment, including parts for repairs, by another state or a political subdivision of another state if the other state provides a similar reciprocal exemption for this state and political subdivisions of this state."

[Iowa Code §423.3\(36\)](#) provides: "There is exempted from the provisions of this subchapter and from the computation of the amount of tax imposed by it the following . . . (36) The sales price from sales of tangible personal property or of the sale or furnishing of electrical energy, natural or artificial gas, or communication service to another state or political subdivision of another state if the other state provides a similar reciprocal exemption for this state and political subdivision of this state."

Based on the above Nebraska and Iowa reciprocity laws, the Department had, since July 1, 2003, interpreted Iowa's law to provide reciprocity regarding the purchase of industrial machinery and equipment, including parts for repairs for machinery and equipment. However, the State of Iowa, in a letter dated July 13, 2009, set forth its position that the two states' reciprocity laws are too dissimilar to provide an exemption and that the statutes must be virtually identical in order for reciprocity to exist between Iowa and Nebraska. Therefore, as of September 1, 2009, all purchases of property and services, including purchases of industrial machinery and equipment and related parts by

the State of Iowa and its political subdivisions are taxable, provided delivery of the purchased property or service occurs in Nebraska.

As of the date of this ruling, the Department has not been notified by any state other than Iowa that the reciprocity provision found in [Neb. Rev. Stat. §77-2704.43](#) will not be honored.

APPROVED:

Douglas A. Ewald
Tax Commissioner

September 1, 2009