



Iowa's Manufacturing/Processing Fuel Tax Exemption

Electricity, Natural Gas, Propane, and Water

Iowa Area Development Group and its utility sponsors provide technical assistance and identify resources to support Iowa businesses. Manufacturers may be eligible for sales tax exemption opportunities on energy or fuel used for processing a raw product into a finished product. In Iowa, sales tax exemption benefits are available for processing and manufacturing equipment using electricity, natural gas, propane, and water. More details are below.

Fuel Used in Processing

Fuel includes heat, steam, electricity, gas, water, or any other tangible personal property consumed in creating heat, power, steam, or for generating electric current.

Fuel Consumed in Processing - Exempt

Fuel consumed in processing is exempt from Iowa sales and use tax.

Fuel consumed in processing means fuel that is directly applied in the actual processing of tangible personal property.

Fuel to Operate Exempt Machinery, Equipment, Computers, and Computer Peripherals - Exempt

If the machinery, equipment, computer, or computer peripheral is exempt to a manufacturer, the fuel used to operate or run the machinery, equipment, computer, or computer peripheral is also exempt.

Fuel for General Purposes - Taxable

Fuel used for the purpose of general heating, ventilating or lighting of buildings – even if the buildings are warehouses, processing plants, or offices – and any use other than that of direct processing is taxable.

Exempt and Taxable Fuel

When practical, electricity consumed as power or used directly in processing must be separately metered and separately billed by the supplier.

If it is impractical to separately meter and bill the fuel, the manufacturer must give the supplier an exemption certificate that shows what percentage of the fuel is exempt. The exemption certificate must be supported by a study showing how the percentage was developed. The study must show the taxable use and the nontaxable use to correctly report the exempt percentage.

Access the form to apply for the **Iowa Sales Tax Exemption Certificate** at **www.tax.iowa.gov**, then search for **31113** for the **Iowa Sales Tax Exemption Certificate Energy Used in Processing or Agriculture**.

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