

Sales/Use/Indirect:

Iowa: True Object of Lab Testing Service Involving Tangible Personal Property is Nontaxable Service

Docket No. 469782, Iowa Dept. of Rev. (7/29/24). In a declaratory order involving a company providing DNA testing and analysis and ancestral/health history reports to individuals nationwide, the Iowa Department of Revenue (Department) held that while its charges to Iowa customers for processing and analysis of specimens that are personally collected by customers in Iowa using test kits and then sent to the company's out-of-state laboratory constitute enumerated taxable "test laboratory" services in Iowa, such services qualify for Iowa's statutory exclusion as tests on humans and therefore are not taxable. Moreover, the Department concluded that the sale of these genetic testing services and the underlying test kits are not a bundled transaction for Iowa sales and use tax purposes, because the testing service is the true object of the transaction, and the kits are not separately itemized and are essential to this service. In this respect, the test kits mailed to the company's Iowa customers are not subject to Iowa sales or use tax as tangible personal property, because the customers are purchasing nontaxable services – with the test kits utilized to collect a human sample that is essential to the use of the testing service and provided to customers to facilitate the testing. Please contact us with any questions.

URL: <https://itrl.idr.iowa.gov/Browse/OpenFile/6268>

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