

Motor Vehicle Division Informational Memo # 24-10

2024 Legislation – Fee for New Registration Exemption for Vehicles Leased between Affiliates

DATE: May 20, 2024

FROM: Sara Siedsma, Motor Vehicle Division

TO: All Motor Vehicle Division staff; all County Treasurers and County Treasurer staff

EFFECTIVE: MAY 17, 2024

SUBJECT

This informational memo explains legislation passed during the 2024 legislative session which creates a new exemption from the fee for new vehicle registration for a vehicle that is leased between affiliates of an organization when the lessor has paid the fee imposed on the leased vehicle prior to the lease.

SUMMARY

House File 664 creates a new exemption from the fee for new vehicle registration under Iowa Code section 321.105A for a vehicle that is leased between affiliates of an organization when the lessor has paid the fee imposed on the leased vehicle prior to the lease. The bill goes on to amend provisions in the Department of Revenue's code section related to sales tax and provides the bill is retroactive to leases occurring since January 1, 2015, but does not allow a refund of any taxes, interest, or penalties back to January 1, 2015.

The legislation becomes effective upon enactment, which was May 17, 2024.

LINK TO LEGISLATION

[HF664.pdf \(iowa.gov\)](#)

CURRENT

There is no exemption from paying the fee for new registration in 321.105A for vehicles leased between affiliates.

NEW

As of May 17, 2024, entities that lease vehicles between affiliates under a common ownership can apply for an exemption from paying the fee for new registration on the leased vehicle if the lessor has already paid the fee for new registration on the vehicle.

BUSINESS IMPACT

This legislation impacts collection of the fee for new registration. The fee for new registration is a Department of Revenue imposed fee and the Department of Revenue told us they will be issuing guidance regarding this new exemption type. There are no plans to create a new use tax exemption category in ARTS at this time, rather, the Department of Revenue has indicated they will advise that the UT08 – Other code should be used when

processing an application where this new exemption applies. A key component of this new exemption will be to make sure that the fee for new registration for the vehicle has already been paid by the lessor before allowing the exemption on the registration transaction for the leased vehicle.

QUESTIONS AND ANSWERS

WHEN WILL THE DEPARTMENT OF REVENUE ISSUE GUIDANCE ABOUT THIS NEW EXEMPTION?

The Department of Revenue is aware this bill is effective upon enactment, and they are working on preparing guidance explaining the new exemption for county treasurers. Once we receive a copy of this guidance, we will share this guidance with MVD staff that register motor carriers should this new fee for registration exemption come up in those transactions.

WHAT IF THERE ARE QUESTIONS ABOUT THIS NEW EXEMPTION?

We encourage county treasurers with questions about this new exemption from the fee for new registration to engage with the Department of Revenue via the typical communication channels utilized when questions about fee for new registration exemptions arise.

DOES LEASING VEHICLES BETWEEN AFFILIATES REQUIRE THE LESSOR TO HOLD A LICENSE?

The bill did not create anew the ability for an entity to lease vehicles between affiliates under a common ownership structure, rather, the ability to do that already exists. Iowa Code chapter 321F requires a lessor to hold a license from DOT if engaged in the business of leasing motor vehicles for compensation for more than 60 days. We assume that these businesses are obtaining the required 321F lessor licenses, if they meet the statutory criteria to do so, but we wanted to note this requirement in the memo in case customers have questions about the lessor license process. More details about the lessor license can be found on the DOT website at the following link: [License for the Leasing of Motor Vehicles | Iowa DOT](#)