

RENTAL & LEASING FIRMS

Idaho State Tax Commission
800 Park Blvd., Plaza IV
Boise, ID 83712-7742
tax.idaho.gov

Publication



This publication is intended to help rental and leasing firms understand the sales tax laws that apply to their business of leasing or renting tangible personal property. Also see the [Idaho Sales & Use Tax Administrative Rules for Rentals or Leases of Tangible Personal Property \(Rule 024\)](#).

For information on the lease or rental of real property, see sales tax publications [Food, Drink & Lodging \(#16\)](#) and [Recreation & Admissions \(#17\)](#).

RENTALS

Are rentals taxable?

Generally, the rental of tangible personal property is considered a sale. Rentals fall into two categories:

- Bare equipment rentals, which are taxable
- Fully-operated equipment rentals, which aren't taxable

What's a bare equipment rental?

A rental is considered a "bare equipment" rental when the owner rents the equipment or property to a customer without providing an operator to run or use the equipment or property. Instead, the customer operates or uses the equipment or property.

The owner is a retailer and must get a seller's permit from the Idaho State Tax Commission. The owner must charge sales tax on a bare equipment rental unless the customer qualifies for an exemption and gives the retailer a completed [Form ST-101](#), Sales Tax Resale or Exemption Certificate. (See [Retailers and Wholesalers: Making Exempt Sales \(#5\)](#) for more information). Tax applies whether the equipment is rented on an hourly, daily, weekly, monthly, mileage, or any other basis.

In addition to the rental fee, some related items must also be taxed, such as charges for tire wear, blade sharpening, supplies provided with the rental, and mandatory damage

waivers. Cleaning charges are taxable unless they're not agreed to as part of the rental.

Personal property tax added to the rental or lease fee isn't taxable if all of the following apply:

- It's separately stated in the charge to the lessee
- The amount charged isn't more than the property tax actually paid by the lessor
- The lease agreement is for an initial period of one year or longer

Are trash container rentals considered bare equipment?

Yes. The rental of a trash container or dumpster is taxable. Its taxable rental price must be listed separately from the nontaxable fee for the service to empty the container.

What's a fully-operated equipment rental?

A "fully-operated" equipment rental is an agreement in which the owner of the equipment or property supplies the necessary operators to run or use the equipment or property. These operators are the owner's employees.

Is the fee for a fully-operated equipment rental taxable?

No. When an equipment owner provides equipment with an operator, the owner is providing a service rather than renting equipment.

Can I buy equipment tax exempt if I provide fully-operated equipment services?

No. You must pay tax when you buy equipment for this purpose.

If I buy equipment to rent both as bare equipment and fully operated, is it taxable?

Whether you can buy the equipment without paying tax depends on your primary rental activity. If the majority of your business is bare equipment rental with occasional fully-operated rentals, you can buy the equipment, repair parts, and supplies provided with the rental without paying tax; however, you must pay use tax on the fair rental value of the equipment when you provide fully-operated services.

If the majority of your business is providing fully-operated equipment services, you must pay tax when you buy the equipment, repair parts, and supplies. When you rent the equipment as a bare equipment rental, you must charge sales tax to your customers.

LEASES

Are leases taxable?

Yes. However, the way the tax applies depends on the type of lease.

- **Straight lease:** The property is returned to the leasing company at the end of the lease term. Sales tax applies to each lease payment.
- **Lease with option to buy:** The customer makes regular payments and has the option to buy the item at some point during the term of the lease at a price that represents fair market value. Sales tax applies to each lease payment. If the customer elects to buy the item, sales tax also applies to the buyout amount.
- **Lease/purchase:** At the end of the lease, title to the item passes to the customer for no additional cost or for an amount that's less than the true value. Sales tax is due on the full retail sales price when the lease contract is signed. This is actually a purchase agreement with a financing arrangement. Sales tax is calculated as if the retailer was selling the item.

Are motor vehicle leases treated differently?

Generally, no. However, there are some sales tax exemptions that apply to motor vehicles but not to other equipment. For more information, see [Motor Vehicles](#)

[\(#14\)](#) and the [Idaho Sales & Use Tax Administrative Rules for Motor Vehicles \(106 through 108\)](#).

Is the purchase of my lease inventory taxable?

No. You can buy your lease equipment and the repair parts and supplies provided with the rental or lease without paying tax if you give your supplier a completed [Form ST-101](#), Sales Tax Resale or Exemption Certificate. See [Retailers and Wholesalers: Making Exempt Sales \(#5\)](#) for more information on exemption claim forms.

GENERAL

If I use equipment from my rental or lease inventory, is it taxable?

If you use equipment from your untaxed rental or lease inventory, you must pay use tax based on the fair market rental value of the equipment for the period it's used.

You pay the use tax on your regular sales tax return. See [Use Tax \(#2\)](#) for more information.

If my business is in another state, do I still collect Idaho sales tax?

Yes, if any of the property you rent or lease is in Idaho. If the item you're leasing to your customer is a motor vehicle, an Idaho title and registration won't be issued unless you have an Idaho seller's permit. See [Out-of-State-Businesses \(#6\)](#) for more information.

Are rentals or leases to out-of-state customers taxable?

Whether tax applies to leases or rentals of property for use outside Idaho depends on the way the property is delivered to the customer. If the customer takes delivery of the goods in Idaho, the lease or rental payment for the first month (or other period) is subject to Idaho tax. Your records must show that the balance of the equipment's use will be outside Idaho.

If you deliver the equipment to the customer in another state, no Idaho sales tax is due. You must keep records documenting the out-of-state delivery and showing that the balance of the equipment's use will be outside Idaho.

This publication doesn't provide full explanations of Idaho tax laws or rules. For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- tax.idaho.gov