

Laundry and Cleaning Services

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Sales Tax
Fact Sheet

Laundry, dry cleaning, linen service and supply, carpet cleaning, drapery cleaning, upholstery cleaning and industrial cleaning are taxable. When you perform these services in Minnesota you must charge sales tax on the total selling price to the customer. Sales made through *self-service coin-operated* laundry and dry cleaning machines are not taxable. However, soaps and cleaners sold to customers for use in these machines are taxable.

Materials used or consumed in providing these taxable services can be purchased exempt from sales tax. The exemption is explained on page two. The exemption applies only to businesses providing certain specific taxable services and does not extend to individuals purchasing these materials for their own use.

Laundry and dry cleaning

Examples of taxable services:

- bedspread cleaning
- dry cleaning
- dyeing
- fur (natural or synthetic) cleaning, repairing and storing
- hat blocking and cleaning
- laundering
- leather cleaning
- patching clothing
- pillow and pillow sham cleaning
- pressing
- smoke damage cleaning of clothing, linens, etc.
- storage of clothing
- suede cleaning
- water damage cleaning of clothing, linens, etc.

Alterations, repairing and storing clothing

Charges for repairing, altering and storing clothing are taxable.

Examples of taxable services

Repairing or patching clothing (replacing zippers, buttons, resewing seams, etc.)
 Altering clothing (shortening or lengthening, fitting, restyling lapels or ties, etc.)
 Embroidery or screen printing done on clothing provided by the customer
 Hat blocking
 Fur (natural and synthetic) cleaning, repairing and storing

Examples of nontaxable services

Clothing alterations that are included in the purchase price of an item
 Seamstress' or tailor's charges for designing and/or sewing new clothing
 Custom-made shoes
 Embroidery or screen printing done on clothing before the sale
 Shoe repair, dyeing, stretching and shining

Resale: Taxable services may be purchased exempt for resale if the buyer gives the seller a fully completed exemption certificate, Form ST3. For example, a clothing retailer may contract with a tailor to provide alterations on sales of new clothing. The clothing retailer buys the alterations exempt for resale. If the clothing retailer includes the alteration charges in the sales price of the clothing, no sales tax is due. If the alteration charges are separately stated on the invoice to the customer, the charges are taxable.

Linen service and supply

Supplying laundered items to commercial or household users is a taxable service. Tax applies to the total charge for the service, including both the laundry service and the item supplied. Examples of items provided by linen supply services include:

- bed linens
- coats
- coveralls
- dust control treated mats, mops, or rugs
- dust covers for tools and machinery
- flame resistant clothing
- floor-mats
- gowns (hospital, lab, etc.)
- rugs
- safety gloves
- shirts
- table linens
- towels
- uniforms
- wiping towels
- work clothes
- work uniforms

Carpet, drapery, blind and upholstery cleaning

The following services are taxable whether performed on the customer's premises or elsewhere:

- applying fabric protector
- carpet, drapery and upholstery cleaning
- cleaning office panels and partitions
- cleaning smoke or water damage from carpet, draperies, or upholstery
- deodorizing
- fire or smoke damage cleaning of carpet, draperies or upholstery
- pressing
- shampooing
- vacuuming
- washing venetian blinds

Nontaxable services

The following services are not taxable if the charge is separately stated on the customer's invoice:

- diaper services
- services of employees for an employer, and services provided by one business entity for another when one of the of the entities owns at least 80 percent of the other

Exempt purchases

Purchases of materials used or consumed in providing laundry and dry cleaning services and other taxable cleaning services described in this fact sheet are exempt. Give the supplier a fully completed Certificate of Exemption, Form ST3, to claim exemption. Use Exemption Code M and write in "Materials to provide taxable services" to buy *items* that are used or consumed directly in providing the service without paying tax. Use Exemption Code N to claim exemption on the percentage of *fuels or energy* used in providing these services.

Examples of exempt materials include:

- claim checks
- chemicals used to treat waste generated as a result of providing the taxable service
- detergents
- dry cleaning chemicals
- disinfectants
- dyes
- fabric softener
- fire repellent compounds
- hangers
- laundry tags
- lubricants and antifreeze for vehicles used while directly providing taxable services (i.e. linen delivery trucks)
- marking pens and tags
- mat compounds
- packaging (non-returnable)
- plastic bags
- safety pins
- soaps
- solvents
- spotting compounds
- starch
- utilities to operate machinery
- water repellents
- water used in providing taxable services

Note: If you buy materials exempt from tax but use them in providing *non-taxable* services or for personal use, you must pay use tax on those materials. This includes items such as water, chemicals, and electricity used in self-service coin-operated laundry and dry cleaning machines, since services provided through these machines are not taxable.

Linens, towels, or other items that are supplied to customers as part of a linen supply service can be purchased exempt for resale by giving the supplier a fully completed Certificate of Exemption, Form ST3, and use Exemption Code G.

Packaging. Non-returnable packaging, such as plastic bags for laundered clothes, can be purchased exempt. Returnable packaging items remain taxable.

Separate detachable units. The exemption includes separate detachable units used in providing taxable services. To qualify, the item must meet the *three* following requirements:

1. It must be used in providing a taxable service.
2. It must be an accessory tool, equipment, or other item that attaches to a machine while in use.
3. Its ordinary useful life must be less than twelve months when used in providing taxable services under the normal use of the taxable service provider.

Examples of separate detachable units:

- buffer pads
- mop heads
- polishing belts and strips
- sewing machine needles
- disposable vacuum filters, bags, and belts

Separate detachable units do not include the *basic machine* or any components included in the original purchase price. *Hand tools* such as hammers, pliers, clamps, wrenches, screwdrivers, crowbars, soldering irons, knives, and power hand tools including vacuums are not separate detachable units and are taxable. *Repair parts* are also taxable.

Taxable purchases

This exemption does not apply to equipment, implements, tools, accessories, appliances, furniture and fixtures. It also does not apply to utilities used for space heating or lighting, or to other taxable services. Purchases of materials used for general business or administrative purposes are taxable.

The following are examples of taxable purchases:

- appliances
- building cleaning and maintenance services
- furniture
- lawn care services
- machinery and equipment such as washers and dryers, vacuum cleaners, mops and brooms, carpet shampoos, irons, and pails
- office supplies
- repair parts
- returnable packaging
- security services
- specialty advertising materials
- telephone services
- training materials and supplies

- utilities for space heating and lighting
- water, chemicals, and detergents for cleaning buildings and vehicles

Pay sales tax to your supplier when you buy these items or report use tax when you electronically file your sales and use tax return. See the *Use tax* section on the next page.

Special fees

Under the dry cleaner environmental response and reimbursement law, fees are imposed on dry cleaning solvents purchased by dry cleaning facilities. When these fees are passed on to the customer, they are part of the total charge for the dry cleaning service and are taxable, even if the charge is separately stated on the customer's bill.

Product sales

If you rent equipment or sell products such as rug shampoo, spotting compounds, or deodorizers at retail, you must charge sales tax on your sales price to the customer.

You may buy the products exempt from sales tax by giving your supplier a fully completed Certificate of Exemption, Form ST3, and use Exemption Code G. For example, a clothing retailer may buy alterations from a tailor exempt for resale.

Equipment sales

If you sell or lease equipment or other items that were used in your business, the sale may be subject to sales tax. Request Fact Sheet 132, Occasional Sales of Business Equipment and Goods, for more information.

Sales to governments and nonprofits

The *federal* government and its agencies can purchase goods and services exempt from sales tax.

State agencies must pay sales tax or use tax to the supplier on taxable services. State agencies generally use a Direct Pay Permit, which means that state agencies do not pay tax to the seller on purchases of *goods*. However, the permit does not apply to purchases of services, including the taxable services described in this fact sheet.

School districts and local government owned hospitals and nursing homes can purchase goods and services exempt from sales tax.

All other *local government agencies* (such as cities, counties, and townships) must pay sales or use tax on purchases of goods and services.

Chore and homemaking services (i.e., laundry, carpet cleaning, lawn care) sold to local governments and provided to the elderly and disabled are exempt.

Request Fact Sheet 142, Sales to Governments, for more information.

Qualifying **nonprofit organizations** must give you a fully completed exemption certificate, Form ST3, to claim exemption on purchases.

Use tax

Sales tax is generally charged by the seller at the time of sale. However, if the seller does not charge Minnesota sales tax on equipment, supplies, or other taxable items used in your business, you must pay **use tax**. Use tax is due on your cost of the item. Report state and local use tax when you electronically file your sales and use tax return. Request Fact Sheet 146, Use Tax for Businesses, for more information.

Local sales and use taxes

If you are located or working in an area with a local tax, local sales or use tax may also be due. Local taxes are listed and explained in detail in Fact Sheet 164, Local Sales and Use Taxes.

When to charge local tax

As a general rule, charge local sales tax on all sales made in a local taxing area that are subject to Minnesota state sales tax.

- Charge local sales tax to customers from outside the city or county who *pick up* items in the local area for *business or personal use*, even if the items are taken out of the local area.
- Charge local sales tax to customers when you perform taxable services in the local area. For example, charge local tax when you deliver dry cleaned items in an area with a local tax.

References:

M. S. 297A.61, Subd. 3(g)(6)(i) Laundry and dry cleaning
M. S. 297A.68, Subd. 3. Materials used in providing certain taxable services

Revenue Notice 92-24, Laundry and Cleaning Services
Revenue Notice 00-03, Exemptions: Materials Used or Consumed in Providing Taxable Services
Revenue Notice 02-20, Technical Corrections of Prior Revenue Notices

Other fact sheets you may need:

Sales to Governments, #142
Use Tax for Businesses, #146
Local Sales and Use Taxes, #164