

WAC 458-20-165 Laundry, dry cleaning, linen and uniform supply, and self-service and coin-operated laundry services. Introduction. This section discusses the application of the business and occupation (B&O), retail sales, and use taxes to laundries, dry cleaners, laundry pickup and delivery services, self-service laundries and dry cleaners, and linen and uniform supply services. It also discusses the tax treatment of laundry services provided to nonprofit health care facilities and income received from coin-operated laundry facilities.

PART I - LAUNDRY OR DRY CLEANING SERVICES; LINEN OR UNIFORM SUPPLY SERVICES.

(101) Definitions.

(a) **Laundry or dry cleaning service.** A "laundry or dry cleaning service" is the activity of laundering, cleaning, dyeing, and pressing of articles such as clothing, linens, bedding, towels, curtains, drapes, and rugs. It also includes incidental mending or repairing. The term applies to services operating their own cleaning establishments as well as those contracting with other laundry or dry cleaning services. It also includes pickup and delivery laundry services performed by persons operating in their independent capacity and not as agent for another laundry or dry cleaning service.

(b) **Linen and uniform supply services.** "Linen and uniform supply services" is the activity of providing customers with a supply of clean linen, towels, uniforms, gowns, protective apparel, clean room apparel, mats, rugs, and/or similar items whether ownership of the item is in the person operating the linen and uniform supply service or in the customer. RCW 82.08.0202. It also includes the supply of diapers and bedding. "Linen and uniform supply services" includes supply services operating their own cleaning establishments as well as those contracting with other laundry or dry cleaning businesses.

A person providing linen and uniform supply services performs a number of different activities, often at multiple locations. Many of these activities are the same types of activities performed by a person providing laundry or dry cleaning services, such as: Laundering, dry cleaning, pressing, incidental mending, and/or pickup and delivery. Additional activities not generally performed by a person providing laundry or dry cleaning services may include: Providing linen and uniform items customized by application of the customer's business name, company logo, employee names, etc.; measuring and/or issuing uniforms to the customer's employees; repairing or replacing worn or damaged linen and uniform items; and/or performing various administrative functions for the customer, such as inventory control.

(102) Sales.

(a) **Services provided to consumers.** The sale of these services is subject to the retailing B&O tax and retail sales tax when the services are provided to consumers. No deduction is available for commissions allowed or amounts paid. RCW 82.04.070 and 82.08.010. The retailing B&O and retail sales taxes also apply to sales of soap, bleach, fabric softener, laundry bags, hangers, and other tangible personal property to consumers.

(b) **Services provided to nonprofit health care facilities.** Persons providing laundry services to nonprofit health care facilities should refer to Part III of this section for reporting instructions.

(c) **Services provided for resale.** The wholesaling B&O tax applies when these services are performed for persons reselling the services. The seller must obtain a resale certificate for sales made before January 1, 2010, or a reseller permit for sales made on or after January 1, 2010, from the buyer to document the wholesale nature of any sale

as provided in WAC 458-20-102A (Resale certificates) and WAC 458-20-102 (Reseller permits). Even though resale certificates are no longer used after December 31, 2009, they must be kept on file by the seller for five years from the date of last use or December 31, 2014.

(d) **Laundry agents collecting and distributing laundry.** Persons who collect and/or distribute laundered or dry cleaned items as an agent for a provider of laundry or dry cleaning services, or linen and uniform supply services are liable for the service and other activities B&O tax on their gross commissions. See WAC 458-20-159 for the recordkeeping requirements for showing agency status. The person providing the laundry or dry cleaning services, or linen and uniform supply services must collect and remit to the department retail sales tax on the total charge made to the customer (see (a) of this subsection).

(103) **Collecting retail sales tax.** For the purposes of determining a seller's responsibility to collect and remit retail sales tax, the retail sales tax is based on where the buyer receives the cleaned items. RCW 82.32.730. It does not matter whether the actual services occur at this location.

(a) **Delivery at service's location.** If the laundered or dry-cleaned items are picked up by the customer at the service's location, the retail sales tax that applies at that location is to be collected. For example, a dry cleaning service located in Vancouver, Washington, must collect sales tax from an Oregon resident who brings clothing items to the business for dry cleaning, if the Oregon resident picks up the clothing items at the Washington location. The Vancouver, Washington, local sales tax applies to this sale.

(b) **Seller hiring third-party to perform services.** A customer may purchase laundry or dry cleaning services, or linen and uniform supply services from a seller who hires another person to perform the actual service. When the customer drops off and picks up the clothing or other articles at the seller's business location, the place of sale is the seller's location.

(c) **Seller using agent for pickup and delivery.** If a person providing laundry or dry cleaning services uses an agent such as a hotel or a driver for pickup and delivery of the articles to be cleaned, the retail sales tax collected is the tax applicable to the location where the articles are delivered.

(d) **Geographic information system (GIS) for identifying appropriate retail sales tax rate.** For assistance with determining appropriate local sales and use tax rates, the department's GIS provides a mapping and address lookup system. The system, along with other taxpayer resources, is available on the department's internet site at: <http://dor.wa.gov>.

(104) **Purchases.** Laundry, dry cleaning, and linen and uniform supply service businesses make retail and wholesale purchases of products and services.

(a) **Wholesale purchases.** The purchase of tangible personal property for resale or as a component or ingredient of the cleaned article is a wholesale purchase. Such purchases are not subject to retail sales tax when the buyer provides a resale certificate for purchases made before January 1, 2010, or a reseller permit for purchases made on or after January 1, 2010, to the seller as discussed in WAC 458-20-102A (Resale certificates) and WAC 458-20-102 (Reseller permits). Even though resale certificates are no longer used after December 31, 2009, they must be kept on file by the seller for five years from the date of last use or December 31, 2014.

The following are examples of items that may be generally purchased at wholesale. Persons providing laundry services for nonprofit health care facilities, however, should refer to Part III of this section.

(i) Soap, bleach, fabric softener, laundry bags, hangers, and other tangible personal property that is not used in performing laundry or dry cleaning services but is resold as tangible personal property.

(ii) Dyes, fabric softeners, starches, sizing, and similar articles or substances that become ingredients of the articles being cleaned.

(iii) Linen, uniforms, towels, cabinets, hand soap, and similar property rented or supplied to customers as a part of the laundry and linen supply service.

(b) **Purchases for own use.** A laundry or dry cleaning service, or linen and uniform supply service that purchases, or otherwise obtains, services or tangible personal property for use as a consumer must pay retail sales tax. If the seller does not collect the tax, the purchaser must remit the retail sales tax (commonly referred to as "deferred sales tax") or use tax directly to the department. For further information about the use tax, refer to RCW 82.12.020 and WAC 458-20-178 (Use tax).

The following are examples of purchases by a laundry or dry cleaning service, or linen and uniform supply service that are subject to retail sales tax or use tax:

(i) Soaps, cleaning solvents, and other articles or substances that do not become ingredients of the articles cleaned;

(ii) Equipment such as washing machines, dryers, presses, irons, fixtures, and furniture;

(iii) Supplies such as hand tools, sewing notions, scissors, spotting brushes, and stationery; and

(iv) Items given to customers without charge.

PART II - SELF-SERVICE AND COIN-OPERATED LAUNDRY FACILITIES.

(201) **Self-service and coin-operated laundry facilities.** The definition of "retail sale" excludes charges made for the use of self-service or coin-operated laundry facilities. RCW 82.04.050. Thus, gross income received from charges for the use of such facilities is subject to the service and other activities B&O tax. Retail sales tax does not apply to these charges.

(202) **Sales of tangible personal property.** Sales of soap, bleach, fabric softener and other supplies to consumers are subject to the retailing B&O tax and retail sales tax. For most sales, the law requires a seller to separately state the retail sales tax from the selling price. However, the law allows a seller making sales of tangible personal property to a consumer from a vending machine to deduct the tax from the total amount received to arrive at the net amount that becomes the measure of the tax. RCW 82.08.050 and 82.08.080.

For the purposes of determining a seller's responsibility to collect and remit retail sales tax, the tax to be collected is determined by the location of the facility.

(203) **Purchases.**

(a) **Wholesale purchases.** The purchase of tangible personal property for resale as tangible personal property is a purchase at wholesale. Such purchases are not subject to retail sales tax when the buyer provides a resale certificate for purchases made before January 1, 2010, or a reseller permit for purchases made on or after January 1,

2010, to the seller as discussed in WAC 458-20-102A (Resale certificates) and WAC 458-20-102 (Reseller permits). Thus, purchases of soap, bleach, fabric softener, and other supplies for resale to customers separate from charges for the use of the laundry facilities are wholesale purchases. Even though resale certificates are no longer used after December 31, 2009, they must be kept on file by the seller for five years from the date of last use or December 31, 2014.

(b) **Retail purchases.** A self-service or coin-operated laundry facility that acquires tangible personal property for use as a consumer must pay retail sales tax (commonly referred to as "deferred sales tax") or use tax directly to the department when the seller fails to collect the appropriate retail sales tax. For further information about use tax, refer to RCW 82.12.020 and WAC 458-20-178 (Use tax).

The following are examples of purchases by a self-service or coin-operated laundry facility that are subject to retail sales tax or use tax:

- (i) Washing machines, dryers, fixtures, and furniture; and
- (ii) Items given to customers without charge.

PART III - LAUNDRY SERVICES PERFORMED FOR NONPROFIT HEALTH CARE FACILITIES.

(301) **Definition - nonprofit health care facilities.** For the purpose of this section, "nonprofit health care facilities" means facilities operated by nonprofit organizations providing diagnostic, therapeutic, convalescent, or preventive inpatient or outpatient health care services. The term includes, but is not limited to, nonprofit hospitals, nursing homes, and hospices.

(302) **Sales of laundry services to nonprofit health care facilities.** The definition of a retail sale specifically excludes sales of laundry services to nonprofit health care facilities. As a result, charges for laundry services provided to these facilities are not subject to retail sales tax or the retailing B&O tax. However, the gross proceeds of sale received for providing laundry services to nonprofit health care facilities is subject to the service and other activities B&O tax.

(303) **Purchases subject to retail sales or use tax.** Persons providing laundry services to nonprofit health care facilities are considered consumers of all items used in providing such services. RCW 82.04.190. As a result, purchases of items such as dyes, fabric softeners, linens, and uniforms are subject to the retail sales tax. The same is true for purchases of washing machines, dryers, fixtures, furniture, and other items of tangible personal property. The buyer must remit retail sales tax (commonly referred to as "deferred sales tax") or use tax directly to the department when the seller fails to collect the appropriate retail sales tax. For further information about the use tax, refer to RCW 82.12.020 and WAC 458-20-178 (Use tax).

[Statutory Authority: RCW 82.32.300 and 82.01.060(2). WSR 10-12-052, § 458-20-165, filed 5/26/10, effective 6/26/10; WSR 05-20-018, § 458-20-165, filed 9/26/05, effective 10/27/05; WSR 02-23-034, § 458-20-165, filed 11/13/02, effective 12/14/02. Statutory Authority: RCW 82.32.300. WSR 99-13-052, § 458-20-165, filed 6/9/99, effective 7/10/99. Statutory Authority: RCW 82.32.300 and 82.04.050. WSR 94-09-016, § 458-20-165, filed 4/13/94, effective 5/14/94. Statutory Authority: RCW 82.32.300. WSR 83-07-033 (Order ET 83-16), § 458-20-165, filed 3/15/83; Order ET 73-1, § 458-20-165, filed 11/2/73; Order ET 70-3, § 458-20-165 (Rule 165), filed 5/29/70, effective 7/1/70.]