

## CHAPTER 13. DRY CLEANING TAX

The dry cleaning tax was passed by the 1995 legislature and became effective January 1996. It is imposed on the privilege of operating an active dry cleaning facility for the benefit of the general public within the state, and on the sale or transfer of dry cleaning solvents within the state. The purpose of the tax is to create a cleanup fund that will ensure the cleanup of contamination resulting from dry cleaning facilities. The legislation also granted a limited exemption from liability for solvent releases to dry cleaning owners and operators.

The tax is comprised of two parts: an annual fee and a tax on the use of cleaning solvents. The annual fee is \$1,000 for each dry cleaning facility and \$500 for each "dry store" with over \$50,000 annual sales of dry cleaning services. Dry stores are defined as those that send the clothing to another location for the actual cleaning.

The tax on dry cleaning solvents is composed of two fees that increase at three percent annually. The 2000 fees were \$21.62 per gallon on the sale of Perchloroethylene Solvent (Perc) and \$4.32 per gallon on the sale of other dry cleaning solvents. In addition, \$4.00 per gallon is added annually to the Perc sales fees each October 1, if revenues from the annual operating fees and solvent sales fees over the prior 12 months are less than \$1 million. When calculating the three percent annual increase in the perc sales fees, this \$4.00 per gallon is not included.

The fees for other dry cleaning solvents remain at 20 percent of the fees for perc. The result of the fee increases is that the total solvent sales fees increased to \$25.62 and \$5.12 per gallon on October 1, 2000, and they will increase three percent on January 1, 2001 to \$26.27 and \$5.25 per gallon, respectively.

As of October 2000, five in-state distributors of Perc collect the sales portion of the tax from approximately 350 dry cleaners and pay it to the Department of Revenue on a quarterly basis. Each dry cleaner also paid the \$1,000 annual fee, but only 37 of 83 dry stores were required to pay the \$500 annual fee.

Receipts for fiscal years ending 1999 and 2000 were \$695,000 and \$718,000 respectively.

### 13.001 DRY STORE SELLING LESS THAN \$50,000

Oregon Statute: 465.200(6)(d)

Sunset Date: None

Year Enacted: 1995

Total	
1999–01 Revenue Impact:	Less Than \$50,000
2001–03 Revenue Impact:	Less Than \$50,000

**DESCRIPTION:** The dry cleaning tax is not imposed on any facility engaged in dry cleaning operations only as a dry store and selling less than \$50,000 per year of dry cleaning services. A dry store is a facility that does not include machinery using dry cleaning solvents. Examples are pick up stores, drop off stores, call stations, and pickup and delivery services not otherwise operated by a dry cleaning facility.

**PURPOSE:** The likely purpose of this exemption is to avoid putting an undue financial and regulatory burden on small businesses.

**WHO BENEFITS:** Businesses operating dry stores selling less than \$50,000 per year, as well as their customers, employees, and suppliers. There are about 70 such dry store facilities in Oregon.

**EVALUATION:** This tax expenditure originated in 1995, and it is too early to evaluate its effectiveness. It seems reasonable that small dry stores, as described above, do not represent a substantial environmental threat. However, it seems that this exemption may provide some incentive, however slight, for companies with large dry store operations to attempt to avoid the tax by restructuring their operations into several smaller dry store operations or for new companies to find ways to be exempt. An analysis to examine whether such impacts have occurred would be prudent several years after implementation of this legislation. *[Evaluated by the Economic and Community Development Department.]*

### 13.002 UNIFORM SERVICE OR LINEN SUPPLY FACILITY

Oregon Statute: 465.200(6)(b)

Sunset Date: None

Year Enacted: 1995

Total	
1999–01 Revenue Impact:	Less Than \$50,000
2001–03 Revenue Impact:	Less Than \$50,000

**DESCRIPTION:** The dry cleaning tax is not imposed on any uniform service or linen supply facilities.

**PURPOSE:** The intent of the dry cleaning tax, as stated in statute, is to impose the tax on facilities serving the general public. This exemption presumably is to recognize that uniform services and linen supply facilities are likely to serve other businesses, not the general public.

**WHO BENEFITS:** Companies operating uniform service or linen supply facilities, as well as their customers, employees, and suppliers benefit from the absence of tax payments. According to the Department of Environmental Quality, there are only a handful of these types of dry cleaning facilities, but they tend to have much larger operations than the

typical dry cleaner. Most stopped dry cleaning at their facilities about 15-20 years ago.

**EVALUATION:** Since these facilities do not generally serve the public, but rather furnish uniforms and linen to institutional users, including hospitals, restaurants, repair companies, and other business operations, the absence of such a tax is not likely to influence where uniform service and linen supply facilities locate. The lack of a tax might lower the costs of such services to their customers, but there is no evidence of this. Consistent and reliable delivery of uniforms and linens to institutions and businesses dictates that suppliers locate within a reasonable distance of their clients. Most delivery is by truck, which means a limited delivery range. Suppliers are not likely to move out of state if the tax were assessed.

### 13.003 PRISONS

Oregon Statute: 465.200(6)(c)  
 Sunset Date: None  
 Year Enacted: 1995

Total	
1999–01 Revenue Impact:	\$0
2001–03 Revenue Impact:	\$0

**DESCRIPTION:** The dry cleaning tax is not imposed on any prison or other penal institution.

**PURPOSE:** To recognize the principle that state governments typically do not tax their own agencies.

**WHO BENEFITS:** State government, and by extension taxpayers, through reduced administrative costs.

**EVALUATION:** This exemption would only have had a minimal effect on state operating costs when the law was enacted since prison dry cleaning operations at that time were very small. Since then, as a result of pollution problems, the Department of Corrections has closed their dry cleaning operations (in 1996) and has removed the equipment. Therefore, this exemption has zero revenue impact in the biennia considered.  
*[Evaluated by the Department of Revenue.]*

### 13.004 FACILITY ON U.S. MILITARY BASE

Oregon Statute: 465.200(6)(a)  
 Sunset Date: None  
 Year Enacted: 1995

Total	
1999–01 Revenue Impact:	Less than \$50,000
2001–03 Revenue Impact:	Less than \$50,000

**DESCRIPTION:** The dry cleaning tax is not imposed on dry cleaning facilities on U.S. military bases.

**PURPOSE:** To comply with federal law that prohibits states from taxing the federal government.

**WHO BENEFITS:** The federal government, and by extension taxpayers.

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EVALUATION: Due to the minimal military presence in Oregon, this expenditure likely has very little revenue impact. In fact, there are no military bases with dry cleaning operations at this time in Oregon state. [*Evaluated by the Department of Revenue.*]