

CHAPTER 13. DRY CLEANING FEE/TAX

The dry cleaning fee/tax was passed by the 1995 legislature and became effective January 1, 1996. A fee is imposed on dry cleaning owner/operators for the privilege of operating an active dry cleaning facility. A tax is also imposed on the sale or transfer of dry cleaning solvents within the state for the benefit of the general public. The purpose of the fee/tax is to create a cleanup fund that will ensure the cleanup of contaminated sites resulting from solvent spills at dry cleaning facilities.

The fee/tax is comprised of two parts: an annual fee and a tax on the use of dry cleaning solvents. As of January 2002 the annual fee is comprised of a risk fee and an environmental fee.

- “Dry” stores pay a \$250 base annual fee. Additional fees are due if solvents of any kind were ever used at the site of the cleaners. Dry stores are defined as those that do not contain machinery using dry cleaning solvents.
- Dry cleaning facilities pay a \$500 base annual risk fee and additional fees depending upon the type of solvents used during the current fee period. If Perchloroethylene (Perc) was ever used at the site before 2002, there is an additional fee. Additional fees range from \$100 to \$400.
- Dry cleaning facilities also pay an annual environmental fee based upon projected gross sales (on dry cleaning services only) for the current fee period. These fees range from \$250 to \$1,250.

The tax on dry cleaning solvents is composed of two fees. The tax is \$10.00 per gallon on the sale of Perchloroethylene Solvent (Perc) and \$2.00 per gallon on the sale of other dry cleaning solvents. These taxes are paid quarterly by distributors of dry cleaning solvents.

Beginning January 1, 2003, and annually thereafter, dry cleaning facility operating base fees and inactive dry cleaning facilities list fees increase by 25 percent a year if the revenues fail to generate \$1 million or more during the preceding calendar year.

For calendar year 2001, 334 dry cleaning facilities and 84 dry stores were subject to the dry cleaning fee and nearly 12,000 gallons of Perc and other solvents were also subject to the fee.

Total receipts for the 1999-01 biennium from this tax were \$1.4 million.

13.001 DRY STORE SELLING LESS THAN \$50,000

Oregon Statute: 465.200(6)(d)

Sunset Date: The tax law provision has no sunset date, but the dry cleaning tax sunsets 12-31-05.

Year Enacted: 1995, modified in 2001 (SB 463)

	Total
2001–03 Revenue Impact:	Less Than \$50,000
2003–05 Revenue Impact:	\$0

DESCRIPTION: The dry cleaning tax originated in the 1995 Legislature. From 1995 through 2001, the tax was 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.

The 2001 Legislature modified the law to reduce fees for all dry stores and removed the exemption for stores selling less than \$50,000 per year.

PURPOSE: 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. 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. No analysis to examine to assess whether such impacts have occurred has been conducted. *[Evaluated by the Economic and Community Development Department.]*

13.002 UNIFORM SERVICE OR LINEN SUPPLY FACILITY

Oregon Statute: 465.200(6)(b)

Sunset Date: The tax law provision has no sunset date, but the dry cleaning tax sunsets 12-31-05.

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: The tax law provision has no sunset date, but the dry cleaning tax sunsets 12-31-05.

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: The tax law provision has no sunset date, but the dry cleaning tax sunsets 12-31-05.

Year Enacted: 1995

	Total
2001–03 Revenue Impact:	\$0
2003–05 Revenue Impact:	\$0

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.

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. *[Evaluated by the Department of Revenue.]*