

Dry Cleaners

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PREFACE

Generally, sales tax does not apply to a dry cleaner's charges for cleaning services. Dry cleaners are considered consumers of the supplies and other materials they use in their cleaning services and tax applies to their purchases of these supplies. However, in addition to cleaning services, dry cleaners often alter, repair, and preserve clothing and other household items. Dry cleaners may also sell miscellaneous merchandise such as lint brushes, collar stays, or laundry bags. This publication will help you determine whether you need a permit with the Board of Equalization (BOE) and how to report any sales or use tax due.

PURCHASES

Cleaners are consumers of the supplies and other materials they use in their cleaning services and tax applies to their purchases of these items. If you purchase supplies from a vendor located outside of California and you are not charged California tax on your purchase, you must pay California use tax on your purchase. Use tax is intended to protect California merchants who otherwise would be at a competitive disadvantage when out-of-state sellers make sales to California customers without charging tax. The use tax rate in a California location is the same as the sales tax rate.

If you are required to hold a seller's permit (see [Sales](#)), you must pay use tax with your sales and use tax return. Report the amount of your purchase under "Purchases subject to use tax," on the return for the period that includes the date when you first used, stored, or consumed the item in California. If you are not required to hold a seller's permit, you may be required to hold a permit for reporting use tax.

Do you need a use tax permit?

"Qualified purchasers" are required to hold a permit with the BOE to report use tax. You are a "qualified purchaser" if you receive at least \$100,000 in gross receipts from business operations per calendar year and you are not required to hold a seller's permit. "Qualified purchasers" may register for a use tax account on our website at www.boe.ca.gov, by selecting [New Registration](#), and then select *Register a business activity with BOE*. You can also register to report use tax in person at any of our [field offices](#). Please contact our Customer Service Center for assistance at 1-800-400-7115.

If you are not required to hold a permit to report sales or use tax, but still have unreported purchases subject to use tax, you can report the purchases on your California income tax return or you can report your purchase(s) subject to use tax on our website at www.boe.ca.gov by selecting [New Registration](#), and then select *Pay use tax and/or the lumber products assessment on one time purchase*. Once you have registered, you can pay any use tax due by filing your return. You can also register to report use tax in person at any of our [field offices](#). Please contact our Customer Service Center for assistance at 1-800-400-7115.

Purchasing merchandise for resale

If you purchase tangible personal property for resale, your purchase from your vendor is not subject to sales or use tax provided the sale is properly documented. Your supplier will ask you to provide a resale certificate as proof that the property was purchased for resale. For more information, see [Using a Resale Certificate](#), in [publication 73, Your California Seller's Permit](#).

There may be times when you are not sure whether you will resell or use the item you are purchasing. In such cases, we recommend that you pay tax when you purchase the item from your supplier. If, at a later date, you resell the item before making use of it, you can take a tax-paid purchases resold deduction explained below.

Tax-paid purchases resold deduction

If you pay California tax on an item when you purchase it and then resell the item before using it, you can claim a deduction on the tax-paid purchases resold line on the sales and use tax return on which you reported the sale. For example, you pay tax on sweater combs you purchased for use in your cleaning business (your cost \$1 each). Unable to find the similar combs at retail stores, customers ask you to sell them combs for their use at home. You sell new combs for \$2. You must report the \$2 comb sale, but can claim a \$1 tax-paid purchases resold deduction on your return.

Do you need a seller's permit?

If you only provide cleaning and preservation services and do not sell items or perform alterations, then you do not need a seller's permit. You may, however, be required to have a permit for use tax as explained on [page 1](#).

If you sell tangible personal property in California, you are generally required to register for a seller's permit and pay sales tax on your taxable sales.

You need a seller's permit if you:

- Sell miscellaneous merchandise
- Alter new¹ household or nonclothing items

You *may* need a seller's permit if you:

- Alter used household or nonclothing items
- Alter clothing

Selling miscellaneous items. You need a seller's permit if you sell miscellaneous items such as lint brushes, collar stays, sweater combs, laundry bags, stain protection products, sewing kits, ties, or other items such as jewelry. Your sales of these items are subject to tax even if your sales are minimal. See [Tax-paid purchases resold deduction](#) on previous page for information about sales of items that you purchased tax-paid; you may be able to take a deduction for the cost of those items.

Altering new household or nonclothing items. You need a seller's permit if you alter new household or non-clothing items such as draperies. If you cut and re-sew the item into a different shape or length, you are performing a step in the process of creating a "new" product. Your charges for these alterations are subject to tax.

Altering used household or nonclothing items. Charges for repairing or altering used items are not subject to tax. Generally, if you alter used items you are a consumer, not a retailer, of the supplies and materials (for example, zippers and fasteners) furnished in connection with the alterations, and tax applies to the sale of supplies and materials to you. However, you are the retailer of the supplies and materials furnished in connection with the alterations when the retail value of the supplies and materials is more than ten percent of the total charge for the alterations, or if your invoice to the customer includes a separate charge for such materials and supplies. If you are a retailer, you need a seller's permit and tax applies to the fair retail selling price of the supplies and materials furnished to the customer.

Altering clothing. In most cases, dry cleaners charges for repairing and altering clothing are not taxable. If you alter new and used clothing, you do not need a seller's permit if your charges meet the gross receipts tests in [Regulation 1506, Miscellaneous Service Enterprises](#). The tests provide that you are a consumer of the materials and supplies used in the alteration of new clothing if:

- 75 percent or more of your establishment's total gross receipts represent charges for clothes cleaning or dyeing services, and
- No more than 20 percent of your establishment's total gross receipts during the preceding calendar year were from the alteration of clothing.

¹ An item is considered "new" when it is brought in by the customer with store tags or labels still attached, or without finished hems, or the item is clearly new and unused to the observer.

Example of a dry cleaner that meets the Regulation 1506 tests:

A dry cleaner provides clothing alterations as a sideline. This year, the cleaner received \$85,000 from its cleaning operations, \$2,000 from its alteration services, and \$300 from sales of miscellaneous merchandise (laundry bags, lint brushes, etc.), resulting in \$87,300 in total gross receipts for the year. Last year, the cleaner received \$80,000 from cleaning, \$1,000 from alterations, and \$100 from sales of miscellaneous merchandise.

Since the cleaner's receipts from its cleaning operations are greater than 75 percent ($\$85,000/\$87,300 = 97\%$) and the amounts received in the prior year from altering clothing were less than 20 percent of the prior year's total gross receipts ($\$1,000/\$81,100 = 1\%$), the cleaner is considered a consumer, not a retailer, of the alterations to new clothing.

However, since the cleaner made sales of miscellaneous merchandise, the cleaner must obtain a seller's permit and report the taxes due on its sales of the miscellaneous items. The cleaner's charges for altering new clothing are not subject to tax, because the cleaner met the tests in [Regulation 1506](#). However, the cleaner must pay the applicable tax on the purchase of supplies and materials used in the alteration of the clothing.

Alterations of clothing by a third party. When a dry cleaner meets the Regulation 1506 tests and contracts with a third party such as a tailor for the alteration of clothing instead of performing the alterations itself, the cleaner is a consumer of the alterations provided by the third party. The cleaner may not issue a resale certificate for such alterations. Tax applies to the third party's charges to the cleaner as explained in the next section.

Clothing alterations by cleaners that do not meet the Regulation 1506 tests

A dry cleaner who does not meet the Regulation 1506 tests is required to hold a seller's permit and must report tax on his or her charges for alterations of new clothing. Charges for altering or repairing used clothing are not subject to tax.

Examples of new clothing alterations (charges are taxable):

- A customer brings in a suit to have the pants hemmed and the waist taken in. The cuffs of the suit jacket also require shortening. The label is still attached to the sleeve of the suit and the pants have yet to be hemmed.
- A customer purchases a new wedding dress and takes it to her cleaner for alteration before the wedding. The cleaner shortens the dress as requested by the customer.

Examples of used clothing alterations (charges are not taxable):

- A customer lost weight and takes several used outfits to her neighborhood cleaner to have the waistbands taken in.
- A customer brings in her grandmother's wedding dress for alteration. The bride-to-be intends to wear the dress at her own wedding and requests that the dress be shortened.

How do I apply for a seller's permit?

You can register on our website at www.boe.ca.gov by selecting [New Registration](#), and then select *Register a business activity with BOE*. You can also register in person at any of our [field offices](#). Please contact our Customer Service Center for assistance at 1-800-400-7115.

There is no charge for a seller's permit; however, in certain circumstances, we may require a security deposit.

FOR MORE INFORMATION

For additional information or assistance with how the Sales and Use Tax Law applies to your business operations, please take advantage of the resources listed below.

CUSTOMER SERVICE CENTER

1-800-400-7115

TTY:711

Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

FIELD OFFICES

City	Area Code	Number
Bakersfield	1-661	395-2880
Culver City	1-310	342-1000
El Centro	1-760	352-3431
Fairfield	1-707	427-4800
Fresno	1-559	440-5330
Glendale	1-818	543-4900
Irvine	1-949	440-3473
Norwalk	1-562	466-1694
Oakland	1-510	622-4100
Rancho Cucamonga	1-909	257-2900
Rancho Mirage	1-760	770-4828
Redding	1-530	224-4729
Riverside	1-951	680-6400
Sacramento	1-916	227-6700
Salinas	1-831	443-3003
San Diego	1-858	385-4700
San Francisco	1-415	356-6600
San Jose	1-408	277-1231
Santa Clarita	1-661	222-6000
Santa Rosa	1-707	576-2100
Ventura	1-805	677-2700
West Covina	1-626	480-7200

Out-of-State Field Offices

Chicago, IL	1-312	201-5300
Houston, TX	1-713	739-3900
New York, NY	1-212	697-4680
Sacramento, CA	1-916	227-6600

INTERNET

www.boe.ca.gov

You can log onto our website for additional information—such as laws, regulations, forms, publications, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on the BOE website (look for "[Verify a Permit/License](#)") or call our toll-free automated verification service at 1-888-225-5263.

Multilingual versions of publications are available on our [website](#) at www.boe.ca.gov.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

FAXBACK SERVICE

Our faxback service, which allows you to order selected publications, forms, and regulations, is available 24 hours a day. Call 1-800-400-7115 and choose the fax option. We'll fax your selection to you within 24 hours.

TAX INFORMATION BULLETIN

The quarterly Tax Information Bulletin (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current and archived TIBs on our website at www.boe.ca.gov/news/tibcont.htm. Sign up for our BOE updates email list and receive notification when the latest issue of the TIB has been posted to our website.

FREE CLASSES AND SEMINARS

Most of our statewide field offices offer free basic sales and use tax classes with some classes offered in other languages. Check the Sales and Use Tax Section on our website at www.boe.ca.gov for a [listing of classes and locations](#). You can also call your local field office for class information. We also offer [online seminars](#) including the Basic Sales and Use Tax tutorial and how to file your tax return that you can access on our website at any time. Some online seminars are also offered in other languages.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

Please visit our website at: www.boe.ca.gov/info/email.html to email your request. You may also send your request in a letter to: Audit and Information Section, MIC:44, State Board of Equalization, P.O. Box 942879, Sacramento, CA 94279-0044.

TAXPAYERS' RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see *Understanding Your Rights as a California Taxpayer*, [publication 70](#), or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-916-324-2798 (or toll-free, 1-888-324-2798). Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70; State Board of Equalization; P.O. Box 942879; Sacramento, CA 94279-0070.

Regulations, forms, and publications

Lists vary by publication

Selected regulations, forms, and publications that may interest you are listed below. A complete listing of sales and use tax [regulations](#), [forms](#), and [publications](#) appears on our [website](#). Multilingual versions of our publications and other multilingual outreach materials are also available at www.boe.ca.gov/languages/menu.htm.

Regulations

[1506](#) *Miscellaneous Service Enterprises*

[1524](#) *Manufacturers of Personal Property*

Publications

[73](#) *Your California Seller's Permit*

[107](#) *Do You Need a California Seller's Permit?*

[108](#) *Labor Charges*

Note: The statements in this publication are general and are current as of January 2014. The sales and use tax law and regulations are complex and subject to change. If there is a conflict between this publication and the law or regulations, decisions will be based on the law and regulations.

