



# Indiana Department of Revenue

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Sales Tax Information Bulletin #26

Subject: Dry Cleaning and Laundry Establishments Rental and Nonrental Services

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References: IC 6-2.5-4; IC 6-2.5-5-8; 45 IAC 2.2-5-15

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## Summary of Changes

Apart from technical, nonsubstantive changes, this bulletin has been changed to include a new introduction section.

## Introduction

Generally, transactions involving services are not taxable retail transactions. On the other hand, the rental of tangible personal property is generally taxable. The purpose of this bulletin is to explain how these general principles apply to dry cleaning and laundry establishments.

## Nonrental Service

The service provided by persons engaged in the operation of laundries or dry cleaning establishments is generally not subject to the Indiana sales tax. All purchases by laundries and dry cleaning establishments of tangible personal property used in the operation of such businesses are subject to the sales tax, including the purchases of:

1. detergents;
2. cleaning fluids;
3. machinery and equipment;
4. utilities consumed in the operation of the business; and
5. all wrapping materials, including garment bags and hangers.

The above rules apply uniformly to coin operated dry cleaning, conventional dry cleaning, industrial dry cleaning, and laundry businesses.

## Clean Linen, Towel, and Uniform Rental Service

The rental of clean linens, towels, uniforms, and other garments is subject to Indiana sales tax, and the operators of such businesses are retail merchants required to collect the tax from their customers. If not collected, the tax becomes the liability of the lessor as well as customer-lessee. Out-of-state operators delivering such clean linen, towel, uniform, and garment rental service to Indiana customers are making Indiana transactions and are required to register as Indiana retail merchants and to collect and remit Indiana sales tax. The taxability of rental transactions, as well as the taxability of various charges associated with rentals, is covered in [Sales Tax Information Bulletin #42](#), available online at [in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/](http://in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/).

Tangible personal property purchased expressly for rental use, such as linens, towels, uniforms and other garments, as well as wrapping materials in which such rented property is furnished to customers, is exempt from sales and use tax when purchased by the operators of such rental service. However, the subsequent sale by the operators of any tangible personal property which has been rented or leased is subject to sales tax.

The purchases by rental businesses of all other materials, supplies, tools and equipment, and all other tangible personal property is subject to sales tax. All such purchases by any laundry, dry cleaner, or operators of a rental service on which Indiana sales tax is not paid at the time of purchase, including purchases made online, are subject to the payment of use tax by the purchaser.

*Example #1:* Soaps, detergent cleaning fluids, deodorants, bleaches, water, electricity, gas washers, dryers, ironers, and mangles purchased by a rental business would all be subject to sales tax.

*Example #2:* Linens, towels, uniforms, and other garments purchased by a rental business would be exempt from Indiana sales tax as a sale for rental.

If you have any questions concerning this bulletin, please contact the Tax Policy Division at [taxpolicy@dor.in.gov](mailto:taxpolicy@dor.in.gov).



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