

CHAPTER 12. 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. As of January 1, 2004, the Dry Cleaning Fee Program and the Dry Cleaning Distributor's Tax are administered by DEQ.

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 assessed on dry cleaning facilities is comprised of a risk fee and an environmental fee.

- Dry cleaning facilities that utilized any solvent prior to January 1, 1998 pay a \$500 fee. There is an additional fee of \$500 for any dry cleaning facility that has utilized or utilizes perchloroethylene during any part of the annual fee period.
- Dry cleaning facilities also pay an annual environmental fee based upon projected gross sales (on dry cleaning services only) for the current fee period. This fee is one percent of the gross revenue of dry cleaning services that the facility generates in the annual fee period.

The tax on dry cleaning solvents is composed of two fees. The tax is \$10 per gallon on the sale of perchloroethylene and \$2 per gallon on the sale of other dry cleaning solvents. These taxes are paid quarterly by distributors of dry cleaning solvents.

There are approximately 320 dry cleaning facilities and 120 dry stores subject to the dry cleaning fee. Receipts for the dry cleaning program are forecast to be \$1.5 million in the 2005–07 biennium and \$1.5 million in the 2007-09 biennium.

12.001 UNIFORM SERVICE OR LINEN SUPPLY FACILITY

Oregon Statute: 465.200(6)(b)

Sunset Date: None

Year Enacted: 1995

Total	
2005–07 Revenue Impact:	Less than \$50,000
2007–09 Revenue Impact:	Less than \$50,000

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

PURPOSE: To reduce the tax burden on uniform services and linen supply facilities.

WHO BENEFITS: Companies operating uniform service or linen supply facilities.

EVALUATION: Because 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. *[Evaluated by the Economic and Community Development Department.]*

12.002 PRISONS

Oregon Statute: 465.200(6)(c)

Sunset Date: None

Year Enacted: 1995

Total	
2005–07 Revenue Impact:	\$0
2007–09 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.

EVALUATION: This exemption would only have had a minimal effect on state operating costs when the law was enacted because prison dry cleaning operations at that time were very small. Since then, as a result of pollution problems, the Department of Corrections has closed its 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.]*

12.003 FACILITY ON U.S. MILITARY BASE

Oregon Statute: 465.200(6)(a)

Sunset Date: None

Year Enacted: 1995

	Total
2005–07 Revenue Impact:	\$0
2007–09 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. 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.

EVALUATION: This expenditure achieves its purpose of compliance with federal law. *[Evaluated by the Department of Revenue.]*