



Obligation of Dry Cleaners and Dry Cleaning Drop Stores for the Dry Cleaning Establishment Surcharge and Business Use Tax

Dry Cleaning Establishment Registration:

Beginning October 1, 2015, dry cleaning establishments must renew their registration with the Department of Revenue Services (DRS) each October 1. Failure to renew your registration with DRS will result in a \$200 penalty.

DRS will mail renewal applications to registered dry cleaners each year. Businesses must list each of their Connecticut locations on their renewal application. You **must** register each location with DRS and display a Dry Cleaning Establishment Surcharge Certificate in order to legally conduct business in the state. Locations not registered with DRS must submit an **REG-1, Business Taxes Registration Application**, and an **REG-1 Addendum B, Dry Cleaning Establishment Surcharge**, to receive a Dry Cleaning Establishment Surcharge Certificate.

Dry cleaning establishments already doing business in Connecticut that currently are not registered with DRS must register by October 1, 2015, or be subject to a \$1,000 penalty. Dry cleaning establishments that do not renew their permit or do not register for the surcharge may not engage in or transact business.

What Is Dry Cleaning? Dry cleaning includes (but not limited to) the use of the following chemical solvents:

- Perchloroethylene, Trichlorotrifluoroethane, Stoddard, 140F;
- Organic processes using DF-2000 solvent (Petroleum-Based) classified by the EPA as a neurotoxin, Solvon K4;
- Green Earth processes using D5 (Silicone-Based).

Dry Cleaning Establishment Surcharge: A dry cleaning establishment surcharge of 1% is imposed on the total amount of all retail dry cleaning service

receipts. The surcharge is imposed upon the dry cleaning establishment, not the customer.

A dry cleaning establishment is subject to the Dry Cleaning Surcharge if:

- The business is engaged in the cleaning of clothing or other fabrics using tetrachlorethylene, stoddard solvent or other chemicals for retail sale except sales for resale in the regular course of business.
- The business accepts clothing or other fabrics for dry cleaning services at retail to be cleaned by another establishment using tetrachlorethylene, Stoddard solvent or other chemicals, also referred to as a drop store.

Sales for resale by dry cleaning establishments to drop stores are not subject to the 1% surcharge at the dry cleaning establishment level. However, the drop store is required to impose the 1% surcharge on the total amount of all of its retail dry cleaning service receipts.

Wet Cleaners Are Not Subject to the Dry Cleaning Surcharge: Wet Cleaning refers to cleaning processes using water as the solvent (Aqueous Solvents-Detergents/Conditioners). Refer to the web site wetcleanersusa.com for certified wet cleaners.

See **SN 94(16), Dry Cleaner Establishment Surcharge**, for additional information.

Business Use Tax on Dry Cleaning Establishments: Business Use Tax applies to goods or services purchased by your company on which sales tax was not collected.

Examples of purchases subject to use tax are:

- Transfer machines,
- washers,
- extractors,
- dry-to-dry machines,
- reclaiming dryers,
- solvents, tanks,
- detergents,
- condensers,
- separators,
- muck cookers,
- carbon adsorption units,
- cartridge filters, pipes,
- flanges, and pumps,
- hangers,
- soap,
- shrink-wrap,
- cleaning supplies,
- packing slips,
- clothing identifiers,
- furniture, instruments,
- appliances,
- computers,
- computer software,
- office supplies,
- paper,
- stationery items,
- certain publications, **and**
- books.

Services Subject to the Use Tax: Taxable services include but are not limited to:

- repairs to tangible personal property,
- janitorial, business analysis,
- computer services, landscaping, alarm systems,
- exterminating,
- locksmith,
- maintenance,
- refuse removal,
- services to existing real property,
- sign installation,
- snow plowing/removal,
- ventilation systems, **and**
- window cleaning.

See **IP 2003(31)**, *Connecticut Use Tax for Businesses and Professions*, for additional information.

Effective Date: July 1, 2015

Statutory Authority: Conn. Gen. Stat. §12-263m(b).

Effect on Other Documents: None.

Effect of This Document: Announcements alert taxpayers to new developments (other than newly enacted or amended Connecticut or federal laws or newly released judicial decisions), including new administrative positions, policies, or practices.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

Taxpayers can use the **Taxpayer Service Center (TSC)** at www.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

File Electronically: Follow the prompts to log into the *TSC* to file returns and pay taxes.

Pay Electronically: Use the *TSC* to make payments for most Connecticut taxes, even ones that cannot be filed electronically.

Want DRS E-Alerts? Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures.

DRS E-Alerts provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at www.ct.gov/DRS and select *Sign up for e-alerts* under *How Do I?* on the gold navigation bar.
