

NEBRASKA SALES AND USE TAX GUIDE FOR LAUNDRIES AND DRY CLEANERS

OVERVIEW

Laundries are in the business of providing machines for cleaning clothing and other items. Dry cleaners are in the business of cleaning clothing and other items.

Laundry and dry cleaning service providers, that also repair or alter clothing and other items, are retailers and must hold a Nebraska Sales Tax Permit. Application for the required permit is made by filing a [Nebraska Tax Application, Form 20](#). Laundries and dry cleaners must collect and remit applicable sales tax on all taxable retail sales. The Nebraska and local sales tax is remitted on the [Nebraska and Local Sales and Use Tax Return, Form 10](#).

This guidance document is advisory in nature but is binding on the Nebraska Department of Revenue (Department) until amended. A guidance document does not include internal procedural documents that only affect the internal operations of the Department and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.



This guidance document may change with updated information or added examples. The Department recommends you do not print this document. Instead, sign up for the [subscription service](#) at revenue.nebraska.gov to get updates on your topics of interest.

TERMS

Alteration Services change, transform, or reduce an item to a different state. For example, an alteration would be taking in or letting out a garment changes the size of the garment. Charges for alteration services are taxable.

Repair Services are charges for fixing clothing and other items which have been torn or broken to essentially their original form and condition. Charges for repair services are taxable.

Cleaning Services are services that return clothing to their original condition. Charges for these services are not taxable.

SALES

Taxable. Laundries and dry cleaners must collect and remit the Nebraska and applicable local sales tax on all charges for alteration and repair services, and sales of products such as soap and dryer sheets. The sales tax is calculated at the rate in effect where the items are delivered. Typically this will be at the laundry or dry cleaner's location. However, if the clothing is delivered to the customer at the customer's home, then

sales tax is calculated at the rate in effect at the customer's home. Examples of taxable retail sales may include:

- ❖ Selling bleach, soap, or fabric softener. Sales of any of these items through a vending machine are also taxable.
- ❖ Altering or repairing garments: replacing a broken zipper, hemming an item, taking in or letting out a garment. This includes repair of leather goods such as shoes, purses or clothing.

Exempt. When laundries and dry cleaners provide cleaning, storage, pressing, and restoration services, they are not required to collect sales tax from their customers. Examples of exempt retail sales include:

- ❖ Cleaning clothing, deodorizing, or stain removal.
- ❖ Receipts from coin-operated washers and dryers.

Sales to Certain Nonprofit Organizations and Governmental Agencies. Some nonprofit organizations and governmental entities are exempt from Nebraska sales tax. The exempt entity should give the laundry or dry cleaner a [Nebraska Resale or Exempt Sale Certificate, Form 13](#), with Section B properly completed. For more information on which entities may complete a Form 13, see The [Nebraska Taxation of Nonprofit Organizations Information Guide](#) and [Governmental Entities Sales and Use Taxes Information Guide](#) on our website.

PURCHASES

Taxable. Laundries and dry cleaners are the consumers of the equipment, products, and supplies used to provide their services. This means that they pay the Nebraska and any applicable local sales tax to their vendors when they purchase these items. Examples of such items may include:

- ❖ **Equipment.** Purchases of equipment made by a laundry or dry cleaner are taxable whether or not such equipment is coin-operated. This includes washers, dryers, steamers, and garment hanging racks. Most charges for installation of equipment are also taxable. If the equipment is annexed to real estate, please refer to the [Nebraska Taxation of Contractors General Information Guide](#).
- ❖ **Consumable Supplies.** Hangers, poly bags, deodorizers, soap, bleach, starch, stain removers, fabric softeners, dry cleaning chemicals, boxes, paper, garment tags, claim checks, and starch.
- ❖ **Business Equipment.** Computers, software, cash registers, and copy paper.
- ❖ **Other.** Furniture, dry cleaning chemicals, fire repellent compounds, water, electricity, and other fuels by a laundry or dry cleaner.

Exempt. When laundries and dry cleaners purchase products for resale, these products may be purchased tax-free by providing the supplier a properly completed [Form 13](#), Section A. Examples of exempt purchases may include soap, bleach, stain removers, or fabric softeners, that are sold individually to customers. In addition, products sold in vending machines may be purchased tax-free (for resale).

CONSUMER'S USE TAX

When taxable items are purchased and the vendor does not charge sales tax or charges the sales tax at an incorrect rate, laundries and dry cleaners must report and pay Nebraska and any applicable local option consumer's use tax directly to the Department of Revenue. Consumer's use tax should be paid on the cost of these items, including any related charges for shipping and handling. This includes items purchased over the Internet or by mail order. Consumer's use tax is also due when items originally purchased tax-free for resale purposes are withdrawn from inventory for use by the purchaser.

The Nebraska and local consumer's use tax is remitted as follows:

- ❖ If you have a sales tax permit, the Nebraska and local consumer's use tax is reported on the appropriate lines of your [Nebraska and Local Sales and Use Tax Return, Form 10](#).
- ❖ If you do not have a sales tax permit, the Nebraska and local consumer's use tax is reported on a [Nebraska and Local Consumer's Use Tax Return, Form 2](#).

CALCULATING GROSS RECEIPTS

Sales of repair and alteration services must have sales tax separately stated on the invoice. Sales from vending machines will have the sales tax included. The sales tax must be removed from the total receipts to properly complete the [Nebraska and Local Sales and Use Tax Return, Form 10](#). Calculate the gross receipts from the sales from vending machines that have sales tax included by dividing the total amount charged by one, plus the sales tax rate (1.0xx). The following example is for a laundry located in Lincoln where the sales tax rate is 7 percent. Be sure to use the correct sales tax rate when calculating your gross receipts.

Example: Amount removed from vending machines for a month is \$2,500. The state and local sales tax rate at the location of the laundry is 7 percent. Divide \$2,500 by 1.07 to arrive at gross receipts of \$2,336. The \$2,336 should be added to the gross receipts of all other sales to arrive at the amount to report on line 1 of Form 10. The difference, **\$164** is considered to be the amount of sales tax collected.

RESOURCE LIST:

- ❖ [Sales Tax Regulation 1-008 Records](#)
- ❖ [Sales Tax Regulation 1-048 Laundries and Dry Cleaners](#)
- ❖ [Nebraska and Local Sales Tax Information Guide](#)
- ❖ [Nebraska Consumer's Use Tax Information Guide](#)
- ❖ [Nebraska and Local Sales and Use Tax Return, Form 10, Information Guide](#)

revenue.nebraska.gov

800-742-7474 (NE and IA), 402-471-5729

Nebraska Department of Revenue, PO Box 94818, Lincoln, NE 68509-4818