

FYI – For Your Information

Special Regulation: Linen Services

Items such as hand soaps, paper towels, toilet tissue, and disinfectants which are furnished under a service contract and consumed at the place of delivery by the linen serviceman, and which are enumerated on the serviceman's delivery ticket, are considered property sold at retail and sales tax shall be paid by the customer and remitted by the linen service company. If such consumable materials are not segregated on the delivery ticket, sales or use tax is payable by the linen service company at the time it purchases the items.

Providing laundered linens or uniforms, pickup of soiled linens or uniforms and re laundering and redelivery is generally considered a service and, therefore, is exempt from sales tax. However, the service provider must pay tax on the purchase of all equipment, linens, uniforms, similar tangible personal property, replacement or repair materials, soaps, starch, cleaners, hangers, bags, wrap, twine or other consumables used in the performance of the service, whether or not the consumables are delivered to the customer.

A service provider who owns the linens, uniforms and other similar tangible personal property provided to the customer may choose to treat the provisioning of such tangible personal property as the rental of such property. If the service provider elects to treat the transaction as a rental, the service provider can purchase this tangible personal property (including linens, uniforms, hangers, bags, wrap, twine and other tangible personal property delivered to the customer) free of sales tax but must collect sales tax from the customer on each rental payment, calculated on the full rental price charged, including delivery. Soap, starch, cleaners, water, and other similar tangible personal property consumed by the service provider are not exempt from tax when purchased because these are used and consumed by the service provider, not the customer. A service provider changing from one status to another must notify the Department, distinguish all purchases on a "before and after" change in basis, and can not claim refund for tax paid on laundered items purchased while operating under the rule applicable to a service provider.



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