

Vermont Sales and Use Tax on the Rental and Cleaning of Linen and Similar Items

If you are a business that rents out linens, pays to rent linens, or pays to have your linens laundered, it is important to understand which transactions are subject to Vermont tax. This fact sheet explains how Vermont Sales and Use Tax applies to transactions involving the rental of linens and similar types of tangible personal property, such as dishware, cutlery, and glassware. It also applies to rental transactions involving machinery, equipment, tools, floor mats, uniforms, and similar items.

What is tangible personal property?

Tangible personal property means personal property which may be seen, weighed, measured, felt, touched, or in any other manner perceived by the senses. 32 V.S.A § 9701(7)

There are two possible transactional arrangements involving linen cleaning services:

- The customer owns linens and pays for a service to have them collected and laundered.
- A rental business or laundry service owns the linens and effectively rents them out to the customer.

Linens owned by the customer

In this arrangement, a customer, such as a hotel, restaurant, or catering business, owns its own linens and pays a laundry service business to collect and clean the linens. In this case, the laundry cleaning is **not** subject to sales and use tax because it is a nontaxable service. There is no sale or rental of tangible personal property in the transaction between the customer and the laundry service. Instead, sales tax applies when the hotel or restaurant originally purchases the linens.

Linens owned by a rental business

Similar to the arrangement described above, a rental business owns its own linens, equipment, or other tangible personal property and rents them to customers. The business must charge sales tax to its customers on the rental charge. Then, if it doesn't have its own cleaning equipment, it sends soiled items to a laundry or cleaning service. The cleaning service is **not** subject to tax.

Linens owned by the laundry service

Other times, a laundry service business provides

linens and periodically changes and cleans them. This is always considered a rental of the linens, which is subject to the 6% Vermont Sales and Use Tax. The transaction is taxable, whether the service is paid on a monthly basis, a per cleaning basis, or some other pricing structure.

A cleaning service must collect tax for the full sales price charged, including any itemized charges for cleaning, delivery, or similar fee. The cleanliness of the linens is a necessary part of the rental transaction. Vermont sales tax applies to delivery charges and charges necessary to complete a rental transaction. Vermont Sales and Use Tax Regulations, Reg. § 1.9701(4) -1.

Services that are clearly separate from rental charges may be nontaxable. For example, a laundry service rents tablecloths to a restaurant and periodically exchanges used tablecloths with new ones. The laundry service also periodically cleans drapes owned by the restaurant. The full price charged for the tablecloth rental is subject to tax, but the charge for cleaning the drapes is not subject to tax. The laundry service should itemize the bill to clearly separate the taxable and nontaxable charges.

Note: A laundry service is not required to pay sales tax when it originally purchases linens that are to be rented out. That is because the sale is a nontaxable sale for resale (or lease).

When Vermont Meals and Rooms Tax applies

When linens and similar items are rented out as part of a meal, whether itemized or not, the 9% Vermont Meals and Rooms Tax applies to all components of the meal service.

Local Option Tax

You must charge, collect, and remit the 1% local option tax if your business is in, or delivering to, a municipality with a local option tax.

To learn more about Vermont business taxes, visit tax.vermont.gov or contact the Department's Business Tax Section at tax.business@vermont.gov or (802) 828-2551.