

1 FINANCE AND ADMINISTRATION CABINET

2 Department of Revenue

3 (Amendment)

4 103 KAR 26:100. Industrial laundry and linen supply services. [~~Towel and linen service.~~]

5 RELATES TO: KRS 139.010, 139.200

6 STATUTORY AUTHORITY: KRS 131.130(1)

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the
8 Department of Revenue to promulgate administrative regulations for the administration and
9 enforcement of Kentucky tax laws. This administrative regulation interprets [~~To interpret~~] the sales
10 and use tax law as it applies to transactions involving industrial laundry and linen supply services.
11 [~~towel and linen services.~~]

12 Section 1. Industrial laundry services subject to sales tax pursuant to KRS 139.200(2)(k) shall
13 include, but are not limited to:

14 (1) Industrial uniform supply services;

15 (2) Protective apparel supply services;

16 (3) Industrial mat and rug supply services; and

17 (4) Any other substantially similar industrial services.

18 Section 2. Linen supply services subject to the sales tax pursuant to KRS 139.200(2)(m) shall
19 include, but are not limited to:

20 (1) Table and bed linen supply services;

21 (2) Nonindustrial uniform supply services; and

1 (3) Any other substantially similar nonindustrial linen supply services.

2 Section 3. (1) Persons furnishing periodic cleaning or laundering of aprons, caps, coats, diapers,
3 dressess, linens, mats, protective apparel, rugs, towels, uniforms, or other articles of a similar nature
4 under an agreement for the provisions of a continuous industrial laundry or linen supply service
5 are consumers of the supplies and other property used in performing their services and the tax shall
6 apply at the time such items are purchased.

7 (2) Industrial laundry and linen supply service providers shall not issue the “Resale Certificate”
8 (Revenue Form 51A105) for the purchase of the aprons, caps, coats, diapers, dresses, linens, mats,
9 protective apparel, rugs, towels, uniforms, or other articles of a similar nature when retaining title
10 to property they provide under an agreement for continuous cleaning service.

11 Section 4. Forms. The form(s) referenced in this administrative regulation may be inspected,
12 copied, or obtained, subject to applicable copyright law, at:

13 (1) The Kentucky Department of Revenue, 501 High Street, Frankfort, Kentucky 40601;

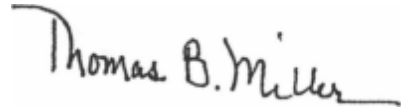
14 (2) A Kentucky Taxpayer Service Center, Monday through Friday, 8:00 a.m. to 4:30 p.m.; or

15 (3) The Department or Revenue website at <http://revenue.ky.gov>.

16 ~~[(1) Persons furnishing periodic cleaning or laundering of coats, caps, aprons, diapers,~~
17 ~~uniforms, dresses, towels and articles of a similar nature under an agreement which provides for a~~
18 ~~continuous service to be rendered to barber shops, beauty shops, industrial plants and other~~
19 ~~establishments or to individuals, are consumers of the supplies and other property used in~~
20 ~~performing their services and the tax applies at the time such supplies are purchased.]~~

103 KAR 26:100

APPROVED BY AGENCY:

A handwritten signature in black ink that reads "Thomas B. Miller". The signature is written in a cursive style with a horizontal line at the end.

THOMAS B. MILLER, COMMISSIONER
Department of Revenue
Finance and Administration Cabinet

January 13, 2021

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public hearing on this administrative regulation shall be held on March 25, 2021, at 10:00 a.m. in Room 11A, State Office Building, 501 High Street, Frankfort, KY 40601. In the event the declaration of a State of Emergency in Executive Order 2020-215 is not rescinded by this time, this hearing will be conducted by video teleconference. Individuals interested in being heard at this hearing shall notify this agency in writing by five (5) workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through March 31, 2021. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Lisa Swiger, Tax Policy Research Consultant II, Department of Revenue, 501 High Street, Station 1, Frankfort, Kentucky, 40601, (502) 564-9526 (telephone), (502) 564-3875(fax), Lisa.Swiger@ky.gov (email).

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation No. 103 KAR 26:100

Contact Person: Lisa Swiger
Phone Number: (502) 564-9526
Email: Lisa.Swiger@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation interprets the sales and use tax law as it applies to industrial laundry and linen supply services.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to provide up to date guidance regarding industrial laundry and linen supply services due to 2018 statutory changes in KRS 139.200, and to be in compliance with KRS 13A.

(c) How this administrative regulation conforms to the content of the authorizing statutes: The proposed regulatory language conforms with the provisions of KRS 13A that require an agency to maintain the most up to date guidance and statutory references in its regulations to avoid deficiency.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: The proposed regulatory language provides guidance on the taxability of industrial laundry and linen supply services. The proposed amendment further provides guidance on the application of the "Resale Certificate" to property purchased within these industries.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: The proposed amendment will change the existing administrative regulation by updating the regulation title; adding KRS 139.200 to the RELATES TO section; updating the promulgation statement within the NECESSITY, FUNCTION, AND CONFORMITY section; updating the taxability of industrial laundry and linen supply services in Section 1 and Section 2 pursuant to KRS 139.200; providing examples of property consumed within industrial laundry and linen supply services in Section 3; and providing guidance on the application of the "Resale Certificate" to property purchased within these industries.

(b) The necessity of the amendment to this administrative regulation: See (1)(b).

(c) How the amendment conforms to the content of the authorizing statutes: See (1)(c).

(d) How the amendment will assist in the effective administration of the statutes: See (1)(d).

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: All industrial laundry and linen supply service providers as well as their customers.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: No additional actions are necessary to comply with the amendment. This amendment does not add any requirements. It is only intended to provide updated guidance regarding the taxability of transactions involving industrial laundry and linen supply services.

(b) In complying with this administrative regulation or amendment, how much will it cost

each of the entities identified in question (3): There is no cost to comply with the amended regulation. This regulation does not add any additional fees or costs to be incurred by industrial laundry and linen supply service providers.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): Anyone who accesses the regulation will benefit from the information contained therein.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: It is not anticipated that there will be any additional costs to implement this regulation. Additional costs that may have been created by the statutory changes (for example, taxpayer outreach efforts to inform the general public of the changes in KSR 139.200) have already been, and will continue to be, absorbed through current staff and budgeted funding. Current staff are already answering questions to provide guidance on industrial laundry and linen supply services.

(b) On a continuing basis: There is no cost expected on a continual basis.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Current departmental staff and funding will be used to implement and enforce this regulation.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No additional funding or increase in fees is needed.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: No fees are directly or indirectly established or increased by the proposed administrative regulation.

(9) TIERING: Is tiering applied? (Explain why or why not): Tiering is not applicable as the proposed regulation will be applied equally to all entities impacted by it.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation No. 103 KAR 26:100

Contact Person: Lisa Swiger
Phone Number: (502) 564-9526
Email: Lisa.Swiger@ky.gov

1. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Finance and Administration Cabinet, Department of Revenue.

2. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 131.130(1).

3. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? No revenues are expected to be generated by this administrative regulation because this administrative regulation only clarifies statutory language which has been in effect since July 1, 2018.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? None known.

(c) How much will it cost to administer this program for the first year? No additional costs will be incurred in the first year of this regulation being in effect.

(d) How much will it cost to administer this program for subsequent years? No additional costs will be incurred in subsequent years.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation: