

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



October 4, 2007

Dear Taxpayer:

In 2003, the Texas Legislature established the Dry Cleaner Remediation Program (DCRP) which established dry cleaning facility registration requirements, fees, performance standards, distributor registration, and a method for revenue disbursement. The Texas Commission on Environmental Quality (TCEQ) administers this program. Information about the program is available online at www.tceq.state.tx.us/remediation/dry_cleaners/.

Because the law assesses the fees against dry cleaning service providers, not their customers, we want you to clearly understand your responsibilities if you choose to pass the cost of the fees onto your customers.

Some dry cleaners have chosen to pass along the costs of this program to their customers in the form of higher rates for services. Sales tax is due on the total amount charged. Others have decided to separately state a line item charge for "Environmental Fees," or similar language on the invoice or receipt given to their customers. If a separate line item charge is collected, please be aware of the following important taxability rules.

The tax code requires that any monies represented as and collected by a seller as a "tax" must be remitted to the state in full. Therefore, if a dry cleaner collects from its customers an amount for reimbursement for fees paid under the DCRP that is styled as a state "tax", that amount must either be refunded to its customers or remitted to the state. This is in addition to any sales taxes due on the transaction.

As an alternative, and to avoid collecting any tax in error, dry cleaning service providers should clearly label any amount collected from a customer and identified as being related to the DCRP or other environmental programs as a "reimbursement." However, note that any charge to a customer by a dry cleaner for reimbursement of fees paid under the DCRP, as well as reimbursements for any other EPA or TCEQ fees, is considered part of the total price of the dry cleaning service and is subject to sales tax, even if separately stated.

If you have any questions regarding Texas sales and use tax and environmental fees, please call us toll free at (800) 252-5555 or email us at tax.help@cpa.state.tx.us.

Sincerely,

A handwritten signature in black ink that reads "Bryant K. Lomax".

Bryant K. Lomax
Manager, Tax Policy Division