

**New York State Department of Taxation and Finance**  
**Taxpayer Services Division**  
**Technical Services Bureau**

TSB-A-81 (14) S  
Sales Tax  
September 25, 1981

STATE OF NEW YORK  
STATE TAX COMMISSION

ADVISORY OPINION

PETITION NO. S810317B

On March 17, 1981, a Petition for Advisory Opinion was received from Linen Systems for Hospitals, Inc., 311 Turner Street, Utica, New York 13502.

The issue raised is whether the linen services furnished by Petitioner to its customers are exempt laundering and dry cleaning services so that the purchase of linens by Petitioner for use in furnishing such services will be subject to sales tax.

Petitioner is engaged in the business of furnishing bed and patient linens, operating room and obstetrics linens, infant and pediatric linens, personal apparel (uniforms) and kitchen linens to hospitals. To meet the special requirements of hospitals, Petitioner adds special bacteriostats during the washing of its hospital linens and employs bacteriologists and pathologists to test the linens. Operating room and obstetrics linens are continually inspected for pin-holes and lint. Special pick up and delivery procedures are employed so that clean and soiled linens are not commingled. Additionally, Petitioner assists the hospitals with inventory management and provides an ongoing comprehensive linen cost and distribution management program, the costs of which are included in its charges for linen supply.

Section 1105(c)(3) of the Tax Law imposes a tax on the receipts from "Installing tangible personal property, or maintaining, servicing or repairing tangible personal property . . . except receipts from laundering, dry cleaning . . . ."

An Opinion of Counsel dated July 12, 1965 provided in pertinent part:

"This letter will serve as a reply to your request for a ruling as to whether the receipts of a linen supply company are within the statutory exemption made for 'receipts from laundering', although the linens so furnished are owned by the company rather than the customer.

Persons engaged in the business of furnishing coats, trousers, caps, aprons, dresses, towels, linens, napkins, diapers, tablecloths and articles of a similar nature to barber shops, beauty parlors, restaurants, industrial plants, offices and households and other establishments under an agreement which provides for having such articles returned

periodically for laundering or dry cleaning and replacing them with clean articles should not collect a tax on the receipts from such

service since they are rendering a laundering or dry cleaning service. The service of laundering or dry cleaning is exempt from the sales tax under section 1105(c)(3) of the Tax Law. However, this rule only applies to those agreements where the value of the article of personal property furnished has no substantial relationship to the charge for the service rendered so that the major portion of the charge made is for laundering or dry cleaning service.

However, the persons so engaged in supplying uniforms, linens and items of a similar nature are required to pay a sales tax on all their purchases of uniforms, linens and other tangible personal property used in rendering such service.

An Opinion of Counsel dated July 13, 1981 and issued in response to an inquiry from Petitioner has confirmed that the interpretation of law made in the July 12, 1965 Opinion of Counsel is a correct interpretation and remains the policy of this Department.

Accordingly, Petitioner is advised that it is subject to sales tax on its purchases of linens, inasmuch as the furnishing of linens by Petitioner to its customers is deemed to be an exempt laundering or dry cleaning service.

DATED: August 14, 1981

s/LOUIS ETLINGER  
Deputy Director  
Technical Services Bureau