

The Louisville Municipal Code (LMC) defines linen services as involving the provision of, and the cleaning of linens; including, but not limited to, rags, uniforms, coveralls, and diapers.

The LMC imposes its sales and use tax upon the purchase price paid whether purchased, leased or rented from sources inside or outside of the City.

Linen companies which own the items of tangible personal property provided to the customer are deemed the renter of such goods and must obtain a Louisville Sales/Use Tax License and collect and remit City sales tax on the periodic rental or service fee paid by the purchaser. Any items such as hand soaps, paper towels, toilet tissue, trash bags or similar which are furnished as part of a service contract should be itemized by the company on the customer invoice, and are subject to City sales tax on the purchase price.

Linen service companies that provide only washing or cleaning services of tangible personal property that belongs to the customer, is generally considered to be providing non-taxable labor services. The linen service company however, must pay sales or use tax for all machinery, soaps, racks, hangers, etc., used in providing its services at the time of purchase.

### **Examples**

Louisville Restaurant A contracts with Linen Company B to provide various services to the restaurant. The Linen Company regularly delivers staff uniforms, tablecloths, napkins, kitchen towels and floor mats and removes the soiled items. Linen Company B owns all the items provided to the restaurant and is responsible to obtain a Louisville Sales/Use Tax License and collect and remit City sales tax on the monthly charges billed to the restaurant.

Salon C, a Louisville business, is a full service beauty salon offering hair, nail and massage services. The salon owns the gowns, robes, towels, sheets and blankets used in the business, but contracts with an out-of-city linen company to pick up the linens bi-weekly. The linen company washes, sanitizes, folds and returns the linens to the salon. The linen company is performing a service and is not required to charge Louisville sales tax.

Louisville Manufacturer B contracts with Linen Services Company X to provide and clean the floor mats in its manufacturing areas on a monthly basis. The floor mats are owned by the linen company. Additionally, Linen Company X provides hand cleaner, paper towels, facial tissue and toilet tissue for the employee rest rooms. The sanitary items are billed on an as used basis. Linen Company X should obtain a Louisville Sales/Use Tax License and collect and remit Louisville sales tax on the charges for the mats and on the purchase price of the sanitary items.

Louisville resident Mary just had a baby and has hired a local linen company to provide cloth diaper services. The linen company provides Mary with diapers, two diaper bins, and sealable plastic bags to separate soiled from wet. The linen company picks up the two bags of soiled and wet diapers each week and delivers clean diapers to Mary. Mary is charged a flat monthly fee. The linen company should obtain a Louisville Sales Tax License and collect City sales tax on the monthly fee. The linen company is responsible to pay sales tax at the time of purchase for the plastic bags which are consumable to the linen company. The diapers and diaper bins may be purchased tax-exempt as long as they are used for rental purposes to customers, otherwise, they are taxable to the linen company.

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