

■ Illinois Imposes a Dry-Cleaning Solvent Tax

TO: All Dry-Cleaning Solvent Suppliers and Dry-Cleaning Facility Operators

Effective January 1, 1998, a tax is imposed on the use of a dry-cleaning solvent by persons who operate a dry cleaning facility in Illinois. This tax is known as the Dry-Cleaning Solvent Tax. A one-time floor stock tax is also imposed on dry-cleaning solvents held, as of 12:01 a.m., January 1, 1998, by a dry-cleaning facility operator for use in a dry cleaning facility. This tax is known as the Dry-Cleaning Solvent Floor Stock Tax. In addition, persons in the business of operating a dry cleaning facility must be licensed by the Dry Cleaner Environmental Response Trust Fund Council.

What is a dry cleaning facility?

For purposes of the Dry-Cleaning Solvent Tax and the Dry-Cleaning Solvent Floor Stock Tax, a dry cleaning facility is a facility located in Illinois that conducts dry cleaning operations for the general public. However, a dry cleaning facility does not include:

- a drop-off facility that does not conduct dry cleaning operations
- a facility located on a United States military base
- an industrial laundry, a commercial laundry, or a linen supply facility
- a prison or other penal institution that dry cleans only as part of a correctional industries program to provide dry cleaning to persons who are incarcerated in a prison or a penal institution or to resident patients of a state-operated mental health facility
- a not-for-profit hospital or other health care facility
- a facility presently or formerly located on federal or state government property

What are dry cleaning solvents?

Dry cleaning solvents are any chlorine-based or hydrocarbon (petroleum)-based formulation or product that is used as a primary cleaning agent in dry cleaning operations.

How do I determine if my dry cleaning solvents are chlorine or petroleum based?

The Dry Cleaner Environmental Response Trust Fund Council determines which products are

chlorine-based solvents and which are petroleum-based solvents. However, the council has not completed its administrative rules process. The Illinois Department of Revenue will advise the council that solvents in the perchloroethylene category—synthetic, chlorinated, nonflammable solvents—should be considered chlorine based. And the Illinois Department of Revenue also will advise the council that solvents in the Stoddard category—hydrocarbon-based, flammable solvents—should be considered petroleum based.

What are the Dry-Cleaning Solvent Tax rates?

The Dry-Cleaning Solvent Tax has two different rates depending on the type of solvent. Currently, the tax rate on chlorine-based solvents is \$3.50 per gallon used or purchased. The tax rate on petroleum-based solvents is \$0.35 per gallon used or purchased. The Dry Cleaner Environmental Response Trust Fund Council annually determines the tax rate.

Who is responsible for collecting the Dry-Cleaning Solvent Tax?

If you supply dry cleaning solvent to persons in Illinois and you maintain a place of business in Illinois, you must collect the Dry-Cleaning Solvent Tax from your customers when you sell dry cleaning solvent. Pay the tax you collect to the Illinois Department of Revenue on Form DS-1, Dry-Cleaning Solvent Tax Return.

If you are not a dry-cleaning solvent supplier but you purchase solvent from an unregistered, out-of-state supplier who did not collect the Dry-Cleaning Solvent Tax, then you must pay this tax directly to the Illinois Department of Revenue on Form DS-1, Drycleaning Solvent Tax Return.

When is Form DS-1, Dry-Cleaning Solvent Tax Return, due?

Form DS-1 is due on or before the 25th day of the month following the quarter for which the return is filed. Return due dates are April 25, July 25, October 25, and January 25.

What sales are exempt from the Dry-Cleaning Solvent Tax?

Sales of dry cleaning solvent to the following facilities are exempt from the Dry-Cleaning Solvent Tax:

- a facility located on a United States military base

- an industrial laundry, a commercial laundry, or a linen supply facility
- a prison or other penal institution that dry cleans only as part of a correctional industries program to provide dry cleaning to persons who are incarcerated in a prison or a penal institution or to resident patients of a state-operated mental health facility
- a not-for-profit hospital or other health care facility
- a facility presently or formerly located on federal or state government property
- a facility that will not use the dry cleaning solvent in a dry cleaning operation

What are the Dry-Cleaning Solvent Floor Stock Tax rates?

The rates are the same as those for the Dry-Cleaning Solvent Tax. The tax rate on chlorine-based solvents is \$3.50 per gallon. The tax rate on petroleum-based solvents is \$0.35 per gallon.

Who is responsible for paying the floor stock tax?

If you operate a dry cleaning facility for the general public, you are responsible for paying the Dry-Cleaning Solvent Floor Stock Tax. This tax is imposed on any dry cleaning solvent you possess, as of 12:01 a.m., January 1, 1998, for use in your facility.

You must pay the floor stock tax to the Illinois Department of Revenue on Form DS-2, Dry-Cleaning Floor Stock Tax Return.

When is Form DS-2, Dry-Cleaning Solvent Floor Stock Tax Return, due?

Form DS-2 is due on or before April 25, 1998.

If I purchase dry cleaning solvent that will not be used in a dry cleaning facility, do I owe the Dry-Cleaning Solvent Tax?

No. When you make such a purchase of dry cleaning solvent, you must provide to the seller a written and signed certificate stating:

- your name and address,
- your signature and the date of your signing, and
- that you will not use the dry cleaning solvent in a dry cleaning facility.

Do I have to be licensed to operate a dry cleaning facility?

Yes. You must obtain a license from the Dry Cleaner Environmental Response Trust Fund Council. (You may also be required to hold other licenses.)

What are the annual dry-cleaning operators' license fees?

License fees are based on the amount of dry cleaning solvent you, as a dry-cleaning facility operator, purchase. The fees

are determined annually by the Dry Cleaner Environmental Response Trust Fund Council and currently are:

- \$500 for a facility that purchases
 - 140 gallons or less of chlorine-based dry cleaning solvents annually or
 - 1,400 gallons or less of petroleum-based dry cleaning solvents annually
- \$1,000 for a facility that purchases
 - more than 140 gallons but less than 360 gallons of chlorine-based dry cleaning solvents annually or
 - more than 1,400 gallons but less than 3,600 gallons of petroleum-based dry cleaning solvents annually
- \$1,500 for a facility that purchases
 - 360 gallons or more of chlorine-based dry cleaning solvents annually or
 - 3,600 gallons or more of petroleum-based dry cleaning solvents annually

How do I pay my license fee?

You must pay the license fee in cash or by guaranteed remittance, such as certified check, money order, or traveler's check, to the Illinois Department of Revenue (IDOR). The IDOR will then issue a proof of payment receipt (Form DS-3, Dry-Cleaning Operators' License Fee Payment Form) for the amount of fee paid. However, the IDOR will not issue a proof of payment receipt to you if you have an outstanding liability under the Dry-Cleaning Solvent Floor Stock Tax.

Questions?

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed at the bottom of this bulletin.

For information or forms...

Call us at 1 800 732-8866 or 217 782-3336.

Call our TDD (telecommunications device for the deaf) at 1 800 544-5304.

Write us at Illinois Department of Revenue, P.O. Box 19044, Springfield, IL 62794-9044.

Visit our Web site at <www.revenue.state.il.us>.

Call Illinois Tax Fax, our fax-on-demand service, at 217 785-3400.

Call our 24-hour Forms Order Line at 1 800 356-6302.

