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SC INFORMATION LETTER #89-25

TO: Vicki Jinnette
Public Information Director

FROM: Jerry B. Knight, Manager
Tax Policy and Procedures Department

DATE: July 5, 1989

SUBJECT: Valet Services - Hotels
(Sales and Use Tax)

REFERENCE: S.C. Code Ann. Section 12-35-1130(A) (Supp. 1988)

AUTHORITY: S.C. Code Ann. Section 12-3-140(1976)
SC Revenue Procedure #89-3

SCOPE: An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts.

Many hotels contract with independent laundering establishments to dry clean their guests' clothing, as part of the hotel's valet service.

Typically, the guest will place the clothing in a bag to be picked up by a hotel employee. The hotel then delivers the clothing to the laundry. The hotel, upon receipt of the clean clothing, or on a periodic basis, will pay the laundry for its cleaning services. The hotel, in turn, bills its guest for such services. The amount billed by the hotel may only be that charged by the laundry, or may include an additional charge for providing the service.

The purpose of this Information Letter is to relay to the general public the Commission's long-standing policy, with respect to the application of sales tax, to the above.

Code Section 12-35-1130(A), which imposes the sales tax on laundry services, reads:

Notwithstanding any other provision of law, the license and the sales or use tax imposed by this chapter shall apply with respect to the gross proceeds accruing or proceeding from the business of providing or furnishing any laundering, dry cleaning, dyeing, or pressing services.

The Commission, in a Decision dated October 22, 1987, held:

The taxpayer herein is [ABC] Dry Cleaning and Laundry. Aside from its customary cleaning and laundering, it is also engaged in providing similar services to formal wear rental shops and hotels. This involves cleaning rented tuxedos and hotel uniforms as well as providing valet services for hotel guests.

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Inasmuch as no sales tax had been paid on these transactions, the Division proceeded to issue a proposed assessment against the taxpayer [ABC].

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Upon receipt of the proposed assessment, the taxpayer excepted thereto. It believed that the transactions in question were nontaxable wholesale sales.

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The subject tax liability is not the result of a change in Commission policy nor is it caused by the initiation of a new policy where none previously existed. Rather, it has been the long-standing position of the Tax Commission to tax the transactions here in question. (emphasis added).

In summary, charges by hotels to guests for valet services, whereby the hotel contracts with an independent laundry to dry clean a guest's clothing, are not subject to the sales tax.

However, charges by the independent laundry, to the hotel, are retail sales subject to the sales tax, pursuant to Code Section 12-35-1130(A).