

To: Members of the Connecticut General Assembly

From: Connecticut Dry Cleaners Industry,
Connecticut Retail Merchants Association



Re: Proposed Dry Cleaning Sales Tax

On behalf of over 1,000 dry cleaning and laundry retail outlets located throughout Connecticut, we strongly urge you to reject the proposed expansion of the sales tax to dry cleaning and laundry services.

- Our industry employs over 6,000 workers in Connecticut and we contribute in numerous ways to the state's overall economy and the communities in which our stores are located.
- This proposed tax will have an adverse impact on the thousands of consumers that use our services, and it will directly impact on our industry, which has already faced challenges in recent years.

Anti-Consumer

- Expanding the sales tax to consumers who use dry cleaning and laundry services will have a direct negative impact on a person's ability to get and hold a job.
- Industry estimate show that 85% of dry cleaner garments are worn to work and 90% of laundry is for shirts and home use items that are a matter of hygienic necessity.
- Many garments purchased by consumers today have to be professionally cleaned, there is no substitute.
- Dry cleaning and laundry services are essential and necessary, like food, prescription drugs, and transportation.
- Almost 48% of the total labor force is women and almost 73% of those jobs are occupations that traditionally call for office attire, based on 2010 Census figures, which makes dry cleaning and laundry a necessity.
- Sales Tax on dry cleaning and laundry services is a regressive, double tax since sales tax was paid when the clothing was purchased, without regard to a person's income. This will equate to paying an additional tax on a piece of clothing EVERY TIME a consumer has to clean it.

Anti-Jobs

- A sales tax will result in less dry cleaning and laundry volume which will lead to greater unemployment and fewer jobs.
- This is a very price sensitive industry, and if there is to be an additional 6.35% added on – businesses will lose volume, and potentially, customers.
- Already, costs have risen far faster than the industry's capacity to raise prices. A sales tax will further stress a greatly distressed industry. This combination will result in a loss of jobs, and potential closing of businesses, resulting in even greater job losses.

Anti-Business

- Small businesses are at peak levels for failure, and this proposed expansion of the sales tax will drive those numbers even higher, imperiling businesses and jobs.
- This sales tax would also impact the uniform rental and service industry which provides uniforms and safety garments for the public. This tax would translate to a tax on safety.
- The dry-cleaning industry already pays a 1% gross receipts surcharge to the Department of Revenue Services for purposes of funding the State's dry-cleaning Remediation Fund, so this expansion will be a duplication of charges on this industry.
- The anticipated revenue increase from the expansion of the sales tax is overstated. If the sales tax proposal does in fact become law, the State would presumably lose the revenue it currently collects from sales tax for all the supplies, solvents, and products used in the dry-cleaning and laundry process.

Please consider all the above points and recognize the negative effect that expanding the sales tax to include dry-cleaning and laundry would have on our industry - small business operators throughout the state - and the people of Connecticut.

This tax proposal is an unfair burden on Connecticut's taxpayers, and will adversely impact the residents and businesses that you represent.