

**1999 DRAFTING REQUEST**

**Assembly Amendment (AA-AB133)**

Received: **05/28/99**

Received By: **isagerro**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau**

By/Representing: **Bonderud**

This file may be shown to any legislator: **NO**

Drafter: **isagerro**

May Contact:

Alt. Drafters:

Subject: **Environment - env. cleanup**

Extra Copies: **RCT**

**Pre Topic:**

LFB:.....Bonderud -

**Topic:**

Dry cleaners - formal wear rental firms

**Instructions:**

See Attached

**Drafting History:**

| <u>Vers.</u> | <u>Drafted</u>      | <u>Reviewed</u>    | <u>Typed</u>       | <u>Proofed</u> | <u>Submitted</u>        | <u>Jacketed</u> | <u>Required</u> |
|--------------|---------------------|--------------------|--------------------|----------------|-------------------------|-----------------|-----------------|
| /1           | isagerro<br>06/2/99 | ygeller<br>06/2/99 | martykr<br>06/2/99 | _____          | lrb_docadmin<br>06/2/99 |                 |                 |

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| /?           | isagerro       | 1 1/2 jlg       | dm 1/2       | J 6/2<br>Am 1/2 |                  |                 |                 |

FE Sent For:

<END>



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 26, 1999

Joint Committee on Finance

Paper #720

### **Dry Cleaners -- Formal Wear Rental Firms (DNR -- Air, Waste and Contaminated Land)**

[LFB 1999-01 Budget Summary: Page 472, #36]

#### **CURRENT LAW**

The dry cleaner environmental response fund receives revenues from an annual dry cleaning facility license fee of 1.8% of the previous year's gross receipts from dry cleaning. For purposes of the fees, "dry cleaning facility" is defined as a facility that dry cleans apparel or household fabrics for the general public other than the following facilities: (a) coin-operated facilities; (b) facilities that are located on U.S. military installations; (c) industrial laundries; (d) commercial laundries; (e) linen supply facilities; (f) facilities that are located at a nonprofit hospital or at a nonprofit health care institution; and (g) facilities that are located on property that is owned by the U.S. government or by the state of Wisconsin. Owners and operators of dry cleaning facilities are eligible to apply under the dry cleaner environmental response program for financial assistance to cleanup contamination from dry cleaning solvents.

#### **GOVERNOR**

Exempt formal wear rental firms from the annual dry cleaning facility license fee and exclude formal wear rental firms from participation under the dry cleaner environmental response program.

#### **DISCUSSION POINTS**

1. Currently, all dry cleaning facilities that dry clean apparel or household fabrics for the general public are subject to the dry cleaning facility license fee and are eligible under the cleanup program unless they meet one of the specified exemptions such as laundries, nonprofit hospitals or government facilities. The Department of Revenue charges the dry cleaning facility

license fee on the gross receipts of formal wear rental firms received from dry cleaning items that it rents out, and considers such formal wear to be drycleaned for the general public.

2. There are approximately four or five firms in the state whose main business is to rent out tuxedos, dresses and similar items for weddings and formal events, and which operate facilities to dry clean the apparel between rentals. While the Administration did not estimate the amount of revenue that would be lost under the exemption, it is probable that the exemption from the fee would result in a loss of up to \$10,000 annually in dry cleaning facility license fee revenues. Under the bill, the license fee will generate approximately \$975,000 annually during 1999-01.

3. Some may argue that on-site dry cleaning of formal wear that has been rented out does not constitute dry cleaning for the general public. However, it could also be argued that since a formal wear rental firm rents apparel to the general public, imposition of the fee is appropriate.

4. It is possible that dry cleaning facilities dry clean formal wear that they rent out and also dry clean items owned and brought in by the general public. Facilities use the same perchloroethylene or hydrocarbon-based solvents to dry clean both types of apparel.

5. The provision would provide an exemption from the dry cleaning facility license fee and could set a precedent for other types of businesses that want to be exempt from the fee.

6. Formal wear rental firms would be exempt from the cleanup portion of the program as well as the license fee portion of the program. However, if a portion of a facility's dry cleaning is related to formal wear rental and a portion is related to items brought in by the general public, it may not be possible to determine whether dry cleaning solvent contamination that may be found at such facilities is derived from the formal wear rental or the other dry cleaning done by the facility. Thus, it is possible that in the future, the dry cleaner environmental response program might reimburse cleanup costs at a facility that dry cleans general apparel as well as formal wear that has been rented.

7. The bill would exempt formal wear rental firms from future dry cleaner fees and future eligibility for the dry cleaner program. However, formal wear rental firms have paid fees for gross receipts from dry cleaning from October 14, 1997, through December 31, 1998. Under the bill, it is uncertain whether a formal wear rental firm would be eligible for reimbursement under the program for cleanup of contamination that occurred between October 14, 1997, and the effective date of the bill. An alternative to the bill would be to require the Department of Revenue to refund any past dry cleaner facility license fees paid by formal wear rental firms and to exclude formal wear rental firms from the program prior to the effective date of the budget bill, in addition to on and after the effective date of the bill.

8. The bill does not include a definition of a formal wear rental firm. The Department of Revenue recommends that a definition should be included to: (a) define "formal wear rental firm" as a business that only dry cleans the tuxedos and similar items which it has previously rented to third parties; (b) define "formal wear" as tuxedos, suits, dresses and similar items, but not to include costumes, table linens and similar items; and (c) specify that a facility that dry cleans wearing

apparel and household fabrics for third parties, in addition to dry cleaning the formal wear that it has rented to third parties, is a dry cleaning facility subject to the dry cleaner facility license fee with respect to the portion of its business that is generated from dry cleaning wearing apparel and household fabrics for third parties. Under the suggested definition, if a dry cleaning facility dry cleans both formal wear that it has rented out and other items for the general public, only its gross receipts from dry cleaning for the general public would be subject to the dry cleaning facility license fee.

## ALTERNATIVES

1. Approve the Governor's recommendation to exempt formal wear rental firms from the annual dry cleaning facility license fee and exclude formal wear rental firms from participation under the dry cleaner environmental response program. In addition, estimate that the loss in revenues to the segregated dry cleaner environmental response fund will be approximately \$10,000 annually.

|                                  |            |
|----------------------------------|------------|
| <b>Alternative 1</b>             | <b>SEG</b> |
| 1999-01 REVENUE (Change to Bill) | - \$20,000 |

2. Approve the Governor's recommendation. In addition include one or both of the following:

a. Include the following definitions: (1) Define "formal wear rental firm" as a business that only dry cleans the tuxedos and similar items which it has previously rented to third parties; (2) define "formal wear" as tuxedos, suits, dresses and similar items, but not to include costumes, table linens and similar items; and (3) specify that a facility that dry cleans wearing apparel and household fabrics for third parties, in addition to dry cleaning the formal wear that it has rented to third parties, is a dry cleaning facility subject to the dry cleaner facility license fee with respect to the portion of its business that is generated from dry cleaning wearing apparel and household fabrics for third parties.

b. Direct the Department of Revenue to refund any past dry cleaner facility license fees paid by formal wear rental firms. Further, exclude formal wear rental firms from participation in the dry cleaner environmental response program prior to (in addition to on and after) the effective date of the budget bill.

|                                  |            |
|----------------------------------|------------|
| <b>Alternative 2b</b>            | <b>SEG</b> |
| 1999-01 REVENUE (Change to Bill) | - \$10,000 |

3. Maintain current law.

Prepared by: Kendra Bonderud



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb0456/1

ISR:.....

*jlq*

LFB:.....Bonderud - Dry cleaners - formal wear rental firms

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

*Note  
Seem*

1 At the locations indicated, amend the bill as follows:

2 1. Page 910, line 6: after that line insert:

3 " SECTION 1818c. 77.996 (4) of the statutes is created to read:

4 77.996 (4) "Formal wear" includes tuxedos, suits and dresses, but does not

5 include costumes, table linens or household fabrics.

6 SECTION 1818e. 77.996 (5) of the statutes is created to read:

7 77.996 (5) "Formal wear rental firm" means a facility that rents formal wear

8 to the general public and dry cleans only the formal wear <sup>that</sup> it rents to the general

9 public.

10 SECTION 1818h. 77.9961 (1) of the statutes is amended to read:

11 77.9961 (1) No person may operate a dry cleaning facility in this state unless

12 the person completes and submits to the department a form that the department

1 prescribes and pays to the department a fee for each dry cleaning facility that the  
 2 person operates. The fee is equal to 1.8% of the previous year's gross receipts from  
 3 dry cleaning apparel and household fabrics, but not formal wear the facility rents to  
 4 the general public.

History: 1997 a. 27.

5 **SECTION 1818L.** 77.9964 (4) of the statutes is created to read:

6 77.9964 (4) The department shall reimburse the owner or operator of a formal  
 7 wear rental firm an amount equal to the sum of any fees paid by the owner or operator  
 8 under s. 77.9961 (1) prior to the effective date of this subsection .... [revisor inserts  
 9 date].”.

10 **2.** Page 1187, line 4: after that line insert:

11 **SECTION 2614e.** 292.65 (1) (ek) of the statutes is created to read:

12 292.65 (1) (ek) “Formal wear” includes tuxedos, suits and dresses, but does not  
 13 include costumes, table linens and household fabrics.

14 **SECTION 2614g.** 292.65 (1) (em) of the statutes is created to read:

15 292.65 (1) (em) “Formal wear rental firm” means a facility that rents formal  
 16 wear to the general public and dry cleans only the formal wear that it rents to the  
 17 general public.”.

18 **3.** Page 1475, line 16: after that line insert:

19 **DRY CLEANING FACILITIES.** The treatment of section 292.65 (1) (d) 9. of the  
 20 statutes takes effect retroactively to October 14, 1997.

21 (END)

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRBb0456/1dn

ISR:.....

↑  
Jlg

June 1, 1999

Kendra Bonderud:

This amendment does not include a deadline by which the department must reimburse the owners and operators of formal wear rental firms any license fees. Do you want to include one?

If you have any questions or comments, please do not hesitate to contact me.

Ivy G. Sager-Rosenthal  
Legislative Attorney  
Phone: (608) 261-4455  
E-mail: Ivy.Sager-Rosenthal@legis.state.wi.us



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**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRBb0456/1dn  
ISR:jlg:km

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Legislative Attorney  
Phone: (608) 261-4455  
E-mail: [Ivy.Sager-Rosenthal@legis.state.wi.us](mailto:Ivy.Sager-Rosenthal@legis.state.wi.us)



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb0456/1  
ISR:jlg:km

LFB:.....Bonderud – Dry cleaners – formal wear rental firms

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