



Center for Business Analytics and Economic Research

GEORGIA SOUTHERN UNIVERSITY

Personal and Laundry Services Industry Sales Tax Exemption Economic and Fiscal Impact Analysis

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Personal and Laundry Services Industry
Sales Tax Exemption
Economic and Fiscal Impact Analysis

Prepared by the
Center for Business Analytics and Economic Research
Business Innovation Group
Georgia Southern University
58 East Main Street
Statesboro, Georgia

Authors:

Benjamin McKay, Director, CBAER
Dr. Cary Christian, CBAER Affiliate Faculty¹
Dustin Denham, Research Specialist, CBAER
Dr. Lainie Wilson Harris, CBAER Affiliate Faculty²

The Center for Business Analytics and Economic Research (CBAER) of the Business Innovation Group (BIG) in the Office of Research at Georgia Southern University was engaged to conduct a study by the Georgia Department of Audits and Accounts.

¹Associate Professor of Public Administration, Department of Public and Nonprofit Studies, College of Behavioral and Social Sciences, Georgia Southern University

² Lecturer of Legal Studies, School of Accountancy, Parker College of Business, Georgia Southern University

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Executive Summary

This report covers the economic and fiscal impact of the sales and use tax exemption for the Personal and Laundry Services industry (NAICS 812) in Georgia. This code section includes four four-digit sectors: the personal care service sector (NAICS 8121), death care services (NAICS 8122), drycleaning and laundry (NAICS 8123), and other services (NAICS 8129). All of these are currently exempt from direct sales taxes in the state. This report was commissioned by the Department of Audits and Accounts (DOAA) under the authority granted by O.C.G.A. 28-5-41.1(b) and was prepared by the Center for Business Analytics and Economic Research (CBAER) at Georgia Southern University. It examines the impact of the sales and use tax exemption by analyzing the difference between the taxable sales under the current law and the effect of ending the sales tax exemption on the industry.

CBAER also examined how other states levy sales taxes on the Personal and Laundry Services industry. Forty-five states in the United States have a sales tax. Of these states, services are taxed by default unless an exemption is specifically enumerated in the following four states: Hawaii, New Mexico, South Dakota, and West Virginia. The remaining 41 states have frameworks where services are exempt by default unless specifically enumerated as taxable services in the code. CBAER found that the wide range of services included in the Personal and Laundry Services industry, and the enumeration system of sales tax in most states (41), leads to inconsistent taxation across the states.

This report further focuses on how Georgia and its contiguous states tax services in the Personal and Laundry Services (P&LS) industry. Georgia currently limits sales tax on services to those bundled with the sale of tangible personal property and the enumerated list of services. The five states contiguous to Georgia (Alabama, Florida, North Carolina, South Carolina, and Tennessee) exempt most services from taxation in the P&LS industry. Using the four four-digit NAICS sectors, sales taxes on services are exempt in the personal care sector and the death care services sector in all of these states. The report details that in Florida, North Carolina, South Carolina, and Tennessee, sales tax on services is applied to some industries within the drycleaning and laundry services sector (NAICS 8122) and other personal services sector (NAICS 8129). Neither Georgia nor Alabama directly taxes any of these services.

The report focuses on economic activity in the P&LS industry that would be reduced if a sales tax on services were implemented. In 2025, this translates to \$206.2 million in direct output, and when accounting for indirect and induced effects, the total output increases to \$453.4 million. This supports 5,717 direct jobs, which increases to a total of 7,095 jobs. The jobs support \$104.1 million in direct value added and \$248.5 million in total value added.

CBAER used the total output impact and the net fiscal impact to calculate the return on investment (ROI) of both the exemption and the alternative use scenario. In 2025, by continuing the exemption, the total fiscal impact is \$166.6 million in state sales tax revenue,

and the economy is gaining \$463.4 million in total output. From these numbers, for every \$1 million the state exempts, there is a \$1.7 million return in total output in the economy. For the alternative use impact, the forgone state revenue was collected and used in the general fund. The ROI of this scenario was \$1.2 million, meaning that for every million dollars the state would spend, the economy would return \$1.2 million in output.

For decades, state sales tax systems have primarily targeted tangible personal property, leaving most services untaxed. However, as consumer preferences and technological advancements have shifted the economy toward service-based industries and away from sources of tangible personal property taxes, a narrowing of the tax base, also called base erosion, is presented, resulting in a decline in the total taxable revenue in the economy. This narrowing presents a growing challenge for sustaining state revenue. One solution could be to expand the sales tax to include services.

The P&LS industry services sales tax exemption achieves several of its implied policy goals by supporting local economic activity and aligning with regional tax norms in contiguous states. The analysis found that removing the exemption on the Personal and Laundry Services industry could potentially raise revenue and likely not have a disproportionate impact on economic activity, as economic activity in the industry is not sensitive to price changes. Many states that tax services in the Personal and Laundry Service industry exempt those used by lower income households or only tax one part of a larger set of services.

Additionally, there are risks of unwanted effects that could result from this policy change. The change may make the tax code more regressive due to the use of these services by lower income individuals. Furthermore, since the industry is community-focused, the additional revenue earned by businesses is more likely to be reinvested in the local community rather than outside it. The current exemption benefits the P&LS industry, and its removal could have consequences for both the state and the industry.

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Tax Provision and Report Overview

This report examines the economic and fiscal impact of the current Georgia sales tax exemption applicable to businesses in the Personal and Laundry Services industry (P&LS). The industry is defined using the North American Industry Classification System as NAICS 812, which encompasses personal care services, death care services, laundry and drycleaning services, and other personal services. Businesses in this industry are considered exempt from collecting sales tax because state law does not require tax collection for this service.³

In Georgia, services are exempt from sales taxes, except for six enumerated types: utilities, transportation, rental or leasing of tangible personal property, accommodations, admission, and games and amusements. Additionally, if businesses in the nontaxable service industries sell tangible personal property, the sellers must collect sales tax on the goods sold.⁴

The purpose of this report is to analyze the economic and fiscal impact of this sales tax exemption for services in the P&LS industry on the state of Georgia. The Center for Business Analytics and Economic Research (CBAER) is conducting this analysis as part of its work in conjunction with the Tax Expenditures Transparency Act of 2024. Under this act, legislative leaders select the tax expenditures to be analyzed, and the Georgia Department of Audits and Accounts (DOAA) manages the process.

This report begins by assessing the economic trend present in the P&LS industry over the past six years. This assessment provides context for analyzing the economic value of the tax provision. Next, CBAER provides a comparative analysis that assesses how other states are taxing the Personal and Laundry Services industry. Following this information, the research team examines the economic impact of the sales tax exemption. This section also includes an alternative use and “but for” analysis that highlights what would happen if the sales tax were collected, and defines the challenges linked to estimating the economic impact of the exemption. Building on the impact analysis, CBAER performs a fiscal analysis examining the amount of revenue related to the sales tax exemption as it is currently operating. Finally, an assessment of the purpose and outcomes of the provision is provided.

³ “What Is Subject to Sales and Use Tax?,” Department of Revenue, accessed July 24, 2025, <https://dor.georgia.gov/taxes/sales-use-tax/what-subject-sales-and-use-tax>.

⁴ “What Is Subject to Sales and Use Tax?.”

Tax Provision Background Information

To evaluate the economic and fiscal contributions of the Personal and Laundry Services industry, CBAER used six years of historical economic data from 2019 to 2024 and three variables, which included: real gross domestic product,⁵ industry employment, and establishments. The P&LS industry was defined using the North American Industry Classification System (NAICS), which is managed by the U.S. Census Bureau. These are standardized numerical codes used to categorize industries and the businesses within them.⁶ The P&LS industry code is (NAICS 812) and includes four four-digit NAICS sectors, which are:

- Personal Care Services (NAICS 8121),
- Death Care Services (NAICS 8122),
- Drycleaning and Laundry Services (NAICS 8123), and
- Other Personal Services (NAICS 8129).

Each of these four-digit NAICS sectors includes multiple six-digit sectors, which cover different types of businesses. Personal care services (NAICS 8121) encompass establishments such as barber shops, beauty salons, nail salons, and weight-reduction centers, among others.⁷ Death care services (NAICS 8122) include funeral homes and cemeteries/crematories.⁸ Drycleaning and laundry services (NAICS 8123) encompass coin-operated and non-coin-operated laundries and drycleaners, linen and uniform supply, industrial launderers, and other related services. The P&LS also includes other personal services (NAICS 8129), such as pet care services, photo finishing services, and parking lots and garages, among others. For a complete listing of each of the six-digit sectors covered by the four-digit sectors, see Appendix A.

Overall, service-producing sectors account for 72 percent of the economy in Georgia, as measured by gross domestic product. From this total, the P&LS industry only accounts for just under one percent of the service-producing sector totals. Employers in the P&LS industry are split between small businesses, where employees may be either employed by the business or work as independent contractors, and larger corporate operations. An example of small businesses in the P&LS industry is found in the personal care services sector (NAICS 8121), which includes privately owned barber shops and hair salons. In these businesses, workers often work independently while using the shop's facilities. Workers in this industry typically complete post-high school training, not including an associate or bachelor's degree. In contrast, an example of a larger business is found in the death care services sector (NAICS 8122), where many of the funeral homes are part of larger corporate chains rather than family-owned establishments. Many jobs in the death care services labor force require a bachelor's degree.

⁵ Inflation adjusted

⁶ "North American Industry Classification System," U.S. Census Bureau, accessed September 26, 2025.

⁷ "North American Industry Classification System, 8121 Personal Care Services," U.S. Census Bureau, 2022.

⁸ "North American Industry Classification System, 8122 Death Care Services," U.S. Census Bureau, 2022.

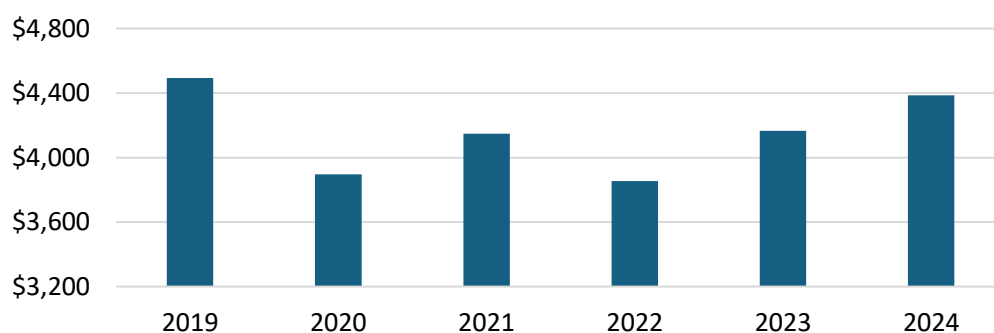
However, the majority of jobs in the P&LS industry require a high school diploma or a post-secondary non-degree award.^{9,10}

Annual Economic Activity in Personal and Laundry Services

The economic performance of the P&LS industry starts in 2019 and ends in 2024 for the purposes of this report. This time frame was selected to account for changes in this industry that could be linked to the pandemic in 2020. In this section of the report, CBAER used three variables to define the trajectory of the P&LS industry. The three variables are real gross domestic product (RGDP), the number of establishments, and employment. RGDP encompasses the total value of goods and services produced and sold in the target area, adjusting for inflation to 2024 dollars.

The findings from the inflation-adjusted RGDP are presented in Figure 1. Overall, P&LS growth has not outpaced inflation in terms of RGDP. The industry has been contracting at an average rate of -0.11 percent from \$4.5 billion in 2019 to \$4.4 billion in 2024.

Figure 1: Personal and Laundry Services RGDP 2019-2024



Source: JobsEQ, CBAER Analysis

*Base Year 2024 & dollars in million

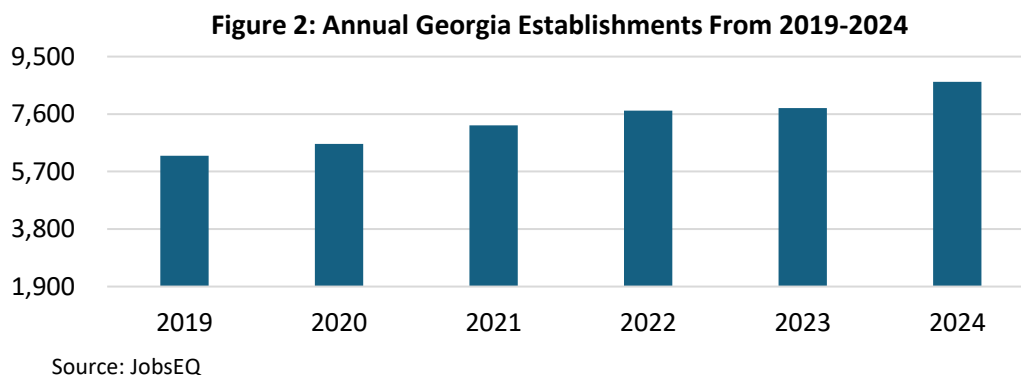
Although the P&LS industry has not fully recovered all of the RGDP it had in 2019, the industry has been rebounding since it hit its lowest level in 2020. Figure 1 indicates that the current rate of growth is not faster than the rate of inflation over this timeframe. Within this industry, the two largest sectors are personal care services (NAICS 8121) and other personal services (NAICS 8129), which combined account for 83.1 percent of the P&LS industry RGDP in 2024. In contrast, death care services (NAICS 8122) and drycleaning and laundry services (NAICS 8123) combined account for 16.9 percent of the P&LS industry RGDP in 2024. The P&LS industry decreased by a combined average annual rate of -7.6 percent from 2020 to 2024.

Next, CBAER examined the number of establishments in the P&LS industry in Georgia. The U.S. Bureau of Economic Analysis defines establishments as business or industrial entities located

⁹ "Barbers, Hairstylists, and Cosmetologists," U.S. Bureau of Labor Statistics, accessed April 18, 2025, <https://www.bls.gov/ooh/personal-care-and-service/barbers-hairstylists-and-cosmetologists.htm>.

¹⁰ "Animal Care and Service Workers," U.S. Bureau of Labor Statistics, accessed April 18, 2025, <https://www.bls.gov/ooh/personal-care-and-service/animal-care-and-service-workers.htm>.

“at a single geographic location.” Companies or business enterprises “may consist of one or more establishments.”¹¹ Over this timeframe, the P&LS industry increased from just over 6,200 establishments in 2019 to 8,900 establishments in 2024. The industry increased at an average annual rate of 6.9 percent over the six-year timeframe: see Figure 2 for details.

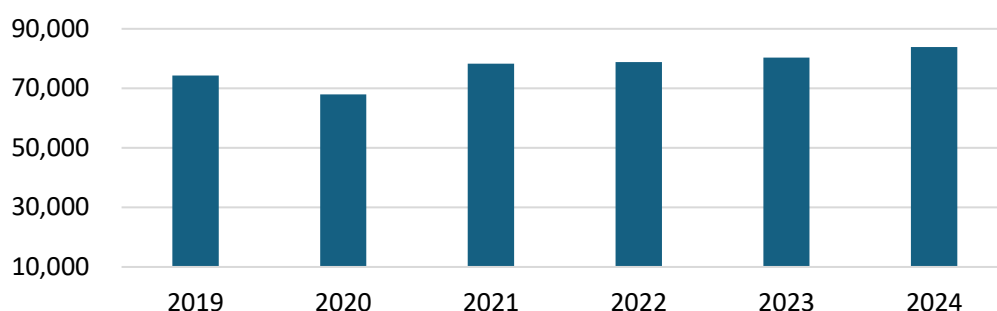


In terms of establishments, three of the four four-digit sectors in this industry have increased between 2019 and 2024. The only sector that declined is the drycleaning and laundry services sector (NAICS 8123), which decreased by 0.3 percent. The fastest-growing sectors were personal care services (NAICS 8121) and other personal services (NAICS 8129), which increased by 12 percent and 7.6 percent, respectively. Combined, these two sectors account for 82 percent of the establishments in the P&LS industry. Additionally, death care services (NAICS 8123) increased by one percent; this was the smallest sector in the industry in terms of the total number of establishments.

To complete this section of the analysis, CBAER examined employment in the P&LS industry. Employment in this industry increased at an average annual rate of 2.7 percent from 2019 to 2024. In terms of total employment, the industry employed approximately 74,300 people in 2019, increasing to over 83,900 by 2024. Figure 3 shows employment for the P&LS industry over the six-year timeframe.

¹¹ “Establishment,” Establishment | U.S. Bureau of Economic Analysis (BEA), April 13, 2018, <https://www.bea.gov/help/glossary/establishment#:~:text=An%20economic%20unit%E2%80%93business%20or,of%20one%20or%20more%20establishments.>

Figure 3: Annual Georgia Employment From 2019-2024



Source: JobsEQ

Within the P&LS industry, 86.4 percent of employment is in the personal care services (NAICS 8121) and other personal services (NAICS 8129) sectors. Combined, employment in these two sectors increased at an annual rate of 3.6 percent from 2019 to 2024. In contrast, employment in the death care services sector (NAICS 8122) and the drycleaning and laundry services sector (NAICS 8123) decreased at an annual rate of -2 percent. Together, the death care and laundry sectors accounted for 13.6 percent of employment in the P&LS industry during 2024.

National Trends Personal and Laundry Services Industry

Although the services offered by businesses in the P&LS industry are typically influenced by localized demand, other national factors also play a role in driving demand within this industry. Some of these factors are discussed in this subsection of the report to provide additional context for the performance of the industry in Georgia.

The personal care services sector (NAICS 8121), which encompasses barber shops, beauty salons, and nail salons, experienced consistent growth from 2019 to 2024. In the United States, employment increased by 1.4 percent, and the number of establishments also increased by 2.4 percent, both on an average annual basis. This is partly due to an increasing urban population and increased consumer spending on high-end beauty products at beauty salons and barbershops.¹² Further, many consumers view spending on hair care services as a necessity, which means demand tends to remain steady during economic downturns, including the impact of COVID-19 in 2020.¹³

Within the death care services sector (NAICS 8122), employment increased by 0.9 percent, while the number of establishments decreased by 0.08 percent on an average annual basis between 2019 and 2024. In the United States, the industry maintained its current levels of employment due to an aging population, but faced some downward pressure from increased

¹² Lucy Tang, "Hair & Nail Salons in the US - Market Research Report (2015-2030)," IBISWorld, April 2025, <https://www.ibisworld.com/united-states/industry/hair-nail-salons/1718/>.

¹³ Tang, "Hair & Nail Salons in the US - Market Research Report (2015-2030)."

consumer preferences for cremation.¹⁴ The industry is also consolidating, with around 20 percent of funeral homes now operating as part of a chain.¹⁵

The drycleaning and laundry services sector (NAICS 8123) is divided into four six-digit sectors, which are: coin-operated laundries, drycleaning services, linen supply, and industrial launderers. The drycleaning and laundry services sector decreased by -2.3 percent from 2019 to 2024, and establishments declined by -2.0 percent on an average annual basis. This decline is generally uniform across the four-digit sectors, though the factors driving these declines vary based on the six-digit sector being examined. In the coin-operated laundries, new model apps and smart technology are improving customer experience and overall efficiency. However, this remains a location-driven business, where proximity to customers is the most important factor, and customers continue to seek value.¹⁶

Drycleaning services are feeling the effects of home laundering preferences as consumers seek convenience and affordability. The drycleaning market is driven by households earning over \$100,000 annually, as this group views taking care of their clothing as more of a necessity than a luxury, compared to those with earnings below this amount.¹⁷ The final sectors of this industry are linen supply and industrial launderers, both of which support other industries that require clean uniforms or linens. These sectors are making capital investments in new, more efficient equipment as they look to reduce costs. They have a high level of employee turnover, and companies must meet strict safety requirements, particularly when handling materials from the healthcare sector. This can make training new employees a challenge.¹⁸

The other personal services sector (NAICS 8129) includes pet care, photofinishing, parking lots and garages, and all other personal services. Within this group, employment increased by 2.6 percent and establishments increased by 4.6 percent on an average annual basis. Pet care services encompass all non-veterinary services, including grooming, training, boarding, and more. Demand for these services is increasing as the number of pet owners increases and owners treat these pets more like family members.¹⁹ The increasing use of digital cameras, online photo sharing, and cloud storage influences the growth of the photofinishing industry. This factor will continue to reduce the demand for the photofinishing sector.²⁰ Next, the parking lots and garages sector of this industry is being impacted by the increasing use of ridesharing services in some markets, which is decreasing the amount of funds consumers are

¹⁴ Lucy Tang, "Funeral Homes in the US," IBISWorld, April 2025, <https://www.ibisworld.com/united-states/industry/funeral-homes/1726/#>.

¹⁵ Tang, "Funeral Homes in the US" (IBISWorld, April 2025).

¹⁶ Lucy Tang, "Laundromats in the U.S.," IBISWorld, April 2025, <https://my.ibisworld.com/us/en/industry/81231/at-a-glance>.

¹⁷ Lucy Tang, "Dry Cleaners in the US," IBISWorld, April 2025, <https://my.ibisworld.com/us/en/industry/81232/at-a-glance>.

¹⁸ Christian Perdomo, "Industrial Laundry & Linen Supply in the US" (IBISWorld, December 2024).

¹⁹ Lucy Tang, "Pet Grooming & Boarding in the US" (IBISWorld, April 2025).

²⁰ Samuel Kanda, "Photofinishing in the US" (IBISWorld, March 2024).

spending on parking services. Additionally, growth in the parking lots and garages sector is partly linked to the employment rate and the price of fuel for vehicles.²¹ The final segment of this industry is other services, which includes a wide variety of services; *see* Appendix A for a complete list. The majority of these services were excluded from this part of the analysis due to the wide range of services within this category.

²¹ “NAICS Code 812930 Parking Lots and Garages,” IBISWorld, accessed September 5, 2025, <https://www.ibisworld.com/classifications/naics/812930/parking-lots-and-garages>.

Other State Comparison

The other state comparison section examines how the personal and laundry services (P&LS) industry is being taxed in states other than Georgia. The focus is on all services offered by businesses in the P&LS industry. Taxes included in this section are applied to either sales or gross revenue that is attributable to the purchase of services in the P&LS industry. As part of this analysis, whenever possible, CBAER has excluded sales of tangible personal property. These are taxes on a product category rather than being applied to an industry. An example within the P&LS industry is the sale of shampoo within a barber shop/hair salon. This item can be purchased at a retailer or from an online shop, making it not unique to these establishments. The sale of shampoo is subject to sales tax, but the service of a haircut is not taxable.

Due to the ways other states are taxing the purchase of services in the P&LS industry, it is not always possible to exclude all tangible personal property from the information shared in this section. Additionally, the research team has found that states tax purchases of services in the P&LS industry in two different ways. The first is a sales tax, which is a transaction tax on goods or services paid at the time of a transaction.²²

The second is a gross receipts tax, which is a tax levied on the total sales of the seller (business) rather than on consumers. The seller (business) pays a percentage of total sales collected to the state government, rather than the consumer paying the tax to the business as an agent of the government under a sales tax system. These taxes tend to have few or limited exemptions, making it possible that some taxing models included in this section are taxing both tangible personal property and services.²³ Further, the seller (business) will often pass these taxes on to the consumer in the form of either higher prices or as a direct line item on a receipt, which makes this tax very similar in impact to a sales tax.²⁴

Across the United States, state sales taxes represent the most common form of consumption tax, however gross receipts taxes are also used. In total, there are 38 states that only collect sales taxes, 4 that only collect gross receipts taxes, and 5 that collect both gross receipts and sales taxes. The remaining states do not have a consumption tax.

CBAER uses the four four-digit NAICS sectors to divide the analysis into manageable parts. These four sectors include personal care services (NAICS 8121), death care services (NAICS 8122), drycleaning and laundry services (NAICS 8123), and other personal services (NAICS 81219). Each of these four sectors encompasses multiple six-digit sectors, which are discussed in detail later in this section of the report.

The remainder of the other state comparison section is split into three subsections. The first subsection examines how the five states contiguous to Georgia are taxing the P&LS industry,

²² "Sales Tax," Legal Information Institute, July 2025, https://www.law.cornell.edu/wex/sales_tax.

²³ "How Do State and Local General Sales and Gross Receipts Taxes Work?," Tax Policy Center, January 2024, <https://taxpolicycenter.org/briefing-book/how-do-state-and-local-general-sales-and-gross-receipts-taxes-work>.

²⁴ "How Do State and Local General Sales and Gross Receipts Taxes Work?"

which includes Alabama, Florida, North Carolina, South Carolina, and Tennessee. The second examines how the 41 states that collect sales or gross receipts tax, but are not contiguous to Georgia, are taxing the P&LS industry. CBAER utilizes the four-digit NAICS sectors outlined earlier in the report to establish the subsection and employs the corresponding six-digit NAICS sectors to discuss the tax provisions and provide background information. The six-digit NAICS sectors are the most detailed part of the NAICS coding system, which is important because states do not universally apply these sales or gross receipts taxes. The third and final subsection reviews sales tax-related theory and examines how these theories might apply to the P&LS industry.

States Contiguous to Georgia

The state of Georgia follows a sales tax model that exempts services from sales tax unless specifically enumerated in state law. The five states contiguous to Georgia are: Alabama, Florida, North Carolina, South Carolina, and Tennessee, and they also follow this enumerated sales tax structure. Within the P&LS industry, sales taxes levied are not always applied universally based on NAICS codes or the service being provided.

The states that are contiguous to Georgia make distinctions between similar services offered in the same four-digit NAICS sectors. Sales taxes are applied to one part of the industry but not to another, even when the business functions are similar. For example, there are often exemptions for coin-operated devices, such as laundry machines and parking meters. Within these industries, when a similar service is provided by a person at a dry cleaners or parking garage, the services are taxable.^{25,26} CBAER accounts for this difference by using the six-digit NAICS sectors in the analysis. Additionally, when this happens within a six-digit NAICS sector, CBAER has highlighted these differences in the report.

Within states contiguous to Georgia, the direct taxes on services in the P&LS industry are limited. To reflect this model of service taxation, CBAER started by examining the four-digit NAICS sectors. All contiguous states have exempted personal care services (NAICS 8121) and death care services (NAICS 8122) from taxes on these services. Of these five states, Florida, North Carolina, South Carolina, and Tennessee are taxing at least a portion of the P&LS industry. Table 1 displays information on which states are taxing part of the four-digit NAICS sectors.

²⁵ S.C. Code § 12-36-910 (2025)

²⁶ Tenn. Code § 67-6-205 (2025)

Table 1: Contiguous States P&LS Industry 4-digit Sector Tax Policy

NAICS Code	Service Sector	Georgia	Alabama	Florida	North Carolina	South Carolina	Tennessee
8121	Personal Care Services	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
8122	Death Care Services	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
8123	Drycleaning and Laundry Services	Exempt	Exempt	Partially Taxed	Partially Taxed	Partially Taxed	Partially Taxed
8129	Other Personal Services	Exempt	Exempt	Partially Taxed	Partially Taxed	Exempt	Partially Taxed

Source: CBAER Analysis

The only services in the P&LS industry that are being taxed by members of this group are drycleaning and laundry services (NAICS 8123) and other personal services (NAICS 8129). However, these are not taxed universally by these states. Georgia and Alabama do not tax services in the drycleaning and laundry services, as well as other personal services sector, while Florida, North Carolina, South Carolina, and Tennessee do tax some services in these sectors.

Specifically, in Tennessee, self-service laundry and drycleaning machines are not being taxed; however, if an employee of the business performs any of the cleaning services, the transaction is subject to sales tax.²⁷ This means that full service laundry and drycleaning, where employees launder the clothes for the customer, are subject to tax.

In South Carolina, most laundry services are subject to tax.²⁸ Coin-operated laundry machines are excluded; however, all other laundry operations, including pressing and dyeing services, are taxed at five percent of the gross revenue of the launderer, not on individual transactions.²⁹ North Carolina has an almost identical system of taxation to South Carolina at a slightly lower rate of 4.75 percent on gross receipts.³⁰

Florida also uses a gross receipts taxing system for laundering and drycleaning, and excludes coin-operated machines; however, their taxation rate is 2 percent.³¹ They also have a separate tax for certain laundry cleaning chemicals, which would fall under the category of tangible personal property.³² The reason why the laundry chemical cleaning sales tax is distinct from those of other states is that they were created for specific environmental purposes.³³

²⁷ Tenn. Comp. R. & Regs. 1320-05-01-.53 (2022)

²⁸ S.C. Code § 12-36-910 (2025)

²⁹ S.C. Code § 12-36-910 (2025)

³⁰ N.C.G.S. § 105-164.4 (2024).

³¹ Fla. Stat. § 376.70 (2025)

³² Fla. Stat. § 376.75 (2025)

³³ Fla. Stat. § 376.021 (2025)

The second sector where sales taxes are applied is the other personal services sector (NAICS 8129). The three states that tax this sector are Florida, North Carolina, and Tennessee. The most common area taxed is parking services, with both Florida and Tennessee applying sales taxes to this business. In Florida, the service of providing parking, whether for a motor vehicle, boat, or plane, is subject to a 6 percent tax.³⁴ However, impoundment or tickets are not taxed because they are separate from the service provided.³⁵ Tennessee has a more complex set of criteria for what parking services are taxed.³⁶ While parking rentals are taxed broadly, exclusions apply to parking meters and parking operated by the Tennessee state government.³⁷

Another type of service in the other personal services sector (NAICS 8129) is pet care (non-veterinary) services. The only state in this group to tax any of these services is Tennessee. This is because Tennessee defines the cleaning of tangible personal property as a taxable service. In Tennessee, pets are considered tangible personal property. Following this statutory definition, pet washing, but not pet grooming or pet boarding, is subject to sales tax.³⁸ This means that while Tennessee does tax some of the pet care (non-veterinary), it does not tax all of them.

North Carolina sales taxes apply to photo finishing for both print and digital photographs. Using the NAICS definition for photo finishing (NAICS 81292), this sector covers “establishments primarily engaged in developing film and/or marking photographic slides, prints, and enlargements.”³⁹ Using the NAICS definition, it is unclear whether digital photographs fit in the photofinishing sector. For the purposes of this analysis, North Carolina includes both tangible photographs and electronic photographs.⁴⁰ North Carolina also includes sitting fees or various forms of digital transfers, including email, electronic storage devices, website/third-party websites, and other electronic methods. In this case, the expansive definition of digital photofinishing/transfer refers to the service, while the printed photos are tangible personal property, as defined by the research team.

³⁴ Fla. Stat. § 212.03 (2025)

³⁵ Fla. Stat. § 212.03 (2025)

³⁶ Tenn. Code § 67-6-205 (2025)

³⁷ Tenn. Code § 67-6-205 (2025)

³⁸ “State of Tennessee: Services Subject to Sales Tax” (Nashville: Tennessee Department of Revenue, August 2021).

³⁹ “North American Industry Classification System, 812921 Photofinishing Laboratories (except One-Hour),” U.S. Census Bureau, 2022, <https://www.census.gov/naics/?input=812921&year=2022&details=812921>.

⁴⁰ “SALES AND USE TAX BULLETINS: Reflecting Changes Made in the 2024 Regular Session of the North Carolina General Assembly” (Raleigh: North Carolina Department of Revenue, January 2025).

Remaining States Service Taxation

CBAER examines the remaining 41 states that operate sales or gross receipts taxes on a statewide basis, which have not yet been discussed, as they are neither Georgia nor contiguous to it. The team investigated whether either of these taxes had been applied to services in the P&LS industry. The difference between the sales and gross receipts tax is who the tax is imposed on. In a traditional sales tax, the tax is imposed on the consumer of a product or service at the time and point of the transaction.⁴¹ A gross receipts tax is instead imposed on a business's gross sales (receipts).⁴² While a gross receipts tax is levied on the business, it is often passed on to the consumer in the form of a higher price, resulting in a similar effect on consumers for both tax structures.⁴³

In this group of 41 states, four apply a statewide sales tax to all transactions by default, unless a sales tax exemption is specifically enumerated in law: Hawaii, New Mexico, South Dakota, and West Virginia. The remaining 37 states, by default, exempt all services from sales or gross receipts taxes unless the taxing of the service is enumerated in state law.⁴⁴

Although only two tax structures are presented in this analysis, the names of the gross receipts taxes can vary across states. For example, Hawaii imposes a general excise tax (GET) on businesses operating in the state.⁴⁵ While the name represents a general excise tax and not a gross receipts tax, it operates as a gross receipts tax because it is imposed on the business and its gross receipts. To streamline this analysis and avoid confusion due to naming differences, CBAER refers to the taxes analyzed based on the mechanism used for taxation, rather than the name of the tax imposed. For example, CBAER categorizes the General Excise Tax in Hawaii as a gross receipts tax.

The four-digit sectors listed throughout this analysis serve as the framework for this discussion, which includes personal care services (NAICS 8121), death care services (NAICS 8122), drycleaning and laundry services (NAICS 8123), and other personal services (NAICS 81219). Each of these sectors is further broken down into the more detailed six-digit sectors to highlight which part of the sector is collecting sales taxes or gross receipts tax in each state. However, states are not applying taxes on these services in a universally consistent manner. These differences may be observed when comparing one state to another or within a single sector in a

⁴¹ "Sales Tax," Legal Information Institute.

⁴² "Gross Receipts Tax," Tax Foundation, accessed 2025, <https://taxfoundation.org/taxedu/glossary/gross-receipts-tax/>.

⁴³ "Gross Receipts Tax Overview," Businesses, accessed 2025, <https://www.tax.newmexico.gov/businesses/gross-receipts-overview/>. end

⁴⁴ "State-by-State Guide to Charging Sales Tax on Services," Avalara, Inc., accessed 2025, <https://www.avalara.com/us/en/learn/whitepapers/service-taxability-by-state.html>.

⁴⁵ "General Excise Tax (GET) Information," State of Hawaii Department of Taxation, 2023, <https://tax.hawaii.gov/geninfo/get/>.

state, allowing one part of a sector to be taxed while many other services within the same sector remain untaxed.

Further, distinctions are made in Tables 2, 3, 4, and 5 between both broad-based and limited sales taxes across the United States. As part of this distinction, CBAER has also included more information in the paragraphs after the tables on an as-needed basis. As in the contiguous state section, sales taxes on tangible personal property are not specifically included in the analysis.

Additionally, CBAER highlights which states are using traditional sales taxes and which follow a gross receipts model. Displayed in Table 2 are the 14 states that apply sales taxes or a gross receipts tax to at least one category of the personal care service sector of the P&LS industry.

Table 2: States that Tax Personal Care Services (NAICS 8121)

States	Barber Shops (NAICS 812111)	Beauty Salons (NAICS 812112)	Nail Salons (NAICS 812113)	Diet and Weight Reducing Centers (NAICS 812191)	Other Personal Care Services (NAICS 812199)
Arkansas					Sales*
Connecticut	Sales*	Sales*	Sales	Sales	Sales
Delaware	Receipts	Receipts	Receipts	Receipts	Receipts
Hawaii	Receipts	Receipts	Receipts	Receipts	Receipts
Iowa	Sales	Sales	Sales		Sales*
Kentucky				Sales	Sales*
Minnesota					Sales*
New Jersey					Sales*
New Mexico	Receipts	Receipts	Receipts	Receipts	Receipts
Ohio			Sales		Sales*
South Dakota	Sales	Sales	Sales	Sales	Sales*
Texas					Sales*
Washington	Receipts	Receipts	Receipts		Receipts*
West Virginia				Sales	

Source: CBAER Analysis

* Does not tax every business in the sector

For the personal care services sector (NAICS 8121), there are five six-digit sectors. These sectors include barber shops (NAICS 812111), beauty salons (NAICS 812112), nail salons (NAICS 812113), diet and weight-reducing centers (NAICS 812191), and other personal care services (NAICS 812199). Each of these sectors is discussed in this section of the report. Within this group, CBAER notes that two different sales-based tax systems are used by these states.

An examination of the barber shops sector (NAICS 812111) and the beauty salons sector (NAICS 812112) reveals that seven states tax the services offered by these sectors. Within this group, Connecticut, Iowa, and South Dakota are using a traditional sales tax. However, Connecticut

only taxes scalp treatments and has exempted hair-cutting services.⁴⁶ The other states displayed in Table 2 are using a gross receipts tax. Next, nail salons (NAICS 812113) follow a similar pattern, with eight states taxing services in this sector. Within these states, four (Connecticut, Iowa, Ohio, and South Dakota) follow the sales tax collection model at the time of purchase. A gross receipts model is followed by the remaining states: Delaware, Hawaii, New Mexico, and Washington.

Then CBAER examined diet and weight reducing centers (NAICS 812191) and determined that seven states tax the services in this sector. Within this group, the states Connecticut, Kentucky, South Dakota, and West Virginia employ standard sales tax models. In West Virginia, the sales tax on these services is not uniform; fitness programs are taxed or not, depending on the level of specificity in their application, and weight loss programs are always taxed.⁴⁷ The other states taxing these services, Delaware, Hawaii, and New Mexico, use some form of gross receipts tax.

The final segment of the personal care services sector (NAICS 8121) and the other personal care services sector (NAICS 812199) are where services are taxed by 13 states. The most common services in the other personal services sector subject to taxation are tanning, non-medical massage, and tattooing services. Arkansas, Connecticut, Iowa, Kentucky, Minnesota, New Jersey, Ohio, Texas, and South Dakota employ a standard sales tax model, while four states, Delaware, Hawaii, New Mexico, and Washington, apply a gross receipts tax on services in the sector. Arkansas, Kentucky, Iowa, Minnesota, New Jersey, Texas, and Washington only tax a portion of the services in this sector. Of these states, non-medical massages are taxed by Kentucky, Iowa, Minnesota, New Jersey, and Texas. Tattooing services are subject to taxation in Arkansas, New Jersey, and Washington. Tanning services are subject to taxation in Arkansas, Kentucky, Iowa, Minnesota, New Jersey, and Washington.

⁴⁶ "SN 914 Miscellaneous Personal Services," Connecticut's Official State Website, accessed 2025, <https://portal.ct.gov/drs/publications/special-notice/1991/sn-914#:~:text=most%20services%20provided%20by%20beauty,shampooing%2C%20hair%20coloring%20and%20perming.>

⁴⁷ "TSD 300 | Sales and Use Tax Exemptions" (West Virginia Tax Division, September 2024).

Next, CBAER examined the death care services sector (NAICS 8122) of the P&LS industry, which includes both the funeral home and funeral services sector (NAICS 812210) and the cemeteries and crematories sector (NAICS 812220). Displayed in Table 3 are the states that apply a sales tax or gross receipts tax to at least one of the six-digit NAICS sectors in the P&LS industry.

Table 3: States that Tax Death Care Services NAICS 8122

State	Funeral Homes and Funeral Services (NAICS 812210)	Cemeteries and Crematories (NAICS 812220)
Delaware	Receipts	Receipts
Hawaii	Receipts	Receipts
New Mexico	Receipts	Receipts
South Dakota	Sales	Sales
Washington	Receipts	Receipts

Source: CBAER Analysis

In the funeral homes and funeral services sector (NAICS 812210), there are five states that tax the services provided. Four states apply a gross receipts tax, and one applies a traditional sales tax. The four states that employ gross receipts taxes are Delaware, Hawaii, New Mexico, and Washington. South Dakota uses a standard sales tax. Additionally, Delaware, Hawaii, New Mexico, and South Dakota apply a tax to services in this sector because they default to taxing all services. For example, in New Mexico, a gross receipts tax is applied to any person engaging in business.⁴⁸ This includes both service providers and sellers of tangible personal property. New Mexico does not provide an exemption for funeral homes and funeral services.⁴⁹ Delaware, Hawaii, and South Dakota also have a default tax on services and do not include an exemption for funeral services. In Washington, funeral services are subject to a gross receipts tax under the service and other activities classification.⁵⁰

For the cemeteries and crematories sector (NAICS 812220), the pattern is the same. Four states, Delaware, Hawaii, New Mexico, and Washington, apply a gross receipts tax to cemetery and crematory businesses. Only South Dakota applies a standard sales tax.⁵¹

⁴⁸ NM Stat § 7-9-4 (1978)

⁴⁹ NM Stat § 7-9-13.1 (1978)

⁵⁰ Wash. Admin. Code § 458-20-153 (2019)

⁵¹ Wash. Admin. Code § 458-20-154 (2019)

Building on this information, the drycleaning and laundry services sector (NAICS 8123) was examined. Table 4 below presents the states that apply a tax to services in at least one of the sectors in the drycleaning and laundry services sector.

Table 4: States that Tax Drycleaning and Laundry Service NAICS 8123

State	Coin-Operated Laundries and Dry Cleaners (NAICS 812310)	Full Service Drycleaning and Laundry (NAICS 812320)	Linen Supply (NAICS 812331)	Industrial Launderers (NAICS 812332)
Arkansas		Sales	Sales	Sales
California			Sales	Sales
Connecticut		Receipts&Sales	Sales	Sales
Delaware	Taxed	Taxed	Taxed	Taxed
Hawaii	Taxed	Taxed	Taxed	Taxed
Idaho			Sales	Sales
Indiana			Sales	Sales
Iowa		Sales	Sales	Sales
Kansas		Receipts&Sales	Sales	Sales
Kentucky		Sales	Sales	Sales
Louisiana		Sales	Sales	Sales
Michigan		Sales		
Minnesota		Sales	Sales	Sales
Mississippi		Sales	Sales	Sales
Nebraska		Sales	Sales	Sales
Nevada			Sales	Sales
New Mexico	Taxed	Taxed	Taxed	Taxed
Ohio		Sales	Sales	Sales
Oklahoma			Sales	Sales
South Dakota		Sales	Sales	Sales
Texas		Sales	Sales	Sales
Utah		Sales	Sales	Sales
Vermont			Sales	Sales
Virginia			Sales	Sales
Washington	Sales	Sales	Sales	Sales
West Virginia	Sales	Sales	Sales	Sales
Wisconsin		Sales	Sales	Sales
Wyoming	Sales	Sales	Sales	Sales

Source: State Statutes, State Tax Guidance Documents, CBAER Analysis

There are four six-digit sectors within the drycleaning and laundry services sector. These sectors include coin-operated laundries and dry cleaners (NAICS 812310), full-service drycleaning and laundry (NAICS 812320), linen supply (NAICS 812331), and industrial launderers (NAICS 812332). There are 30 states that are not contiguous to Georgia that tax at least one of these sectors. Within this group, Delaware, Hawaii, and New Mexico only apply a gross receipts tax when taxing services in these sectors. Further, two states in this group, Kansas and Connecticut, apply both a sales tax and an additional gross receipts tax to the drycleaning and laundry services sector.

CBAER first analyzed the states that tax on coin-operated laundry and dry cleaners (NAICS 812320). This sector includes self-service laundromats and dry-cleaning services that utilize coin-operated self-service models, where customers insert payments into the machine and are responsible for the insertion, folding, and transportation of their clothing.⁵² There are six states that are not contiguous to Georgia that tax services in this sector. Delaware, Hawaii, and New Mexico levy a gross receipts tax, and Washington, West Virginia, and Wyoming apply a standard sales tax on the consumer at the point of purchase.

The next sector examined is full-service drycleaning and laundry services (NAICS 812320). The businesses involve the laundering or drycleaning of customers' clothing, where the cleaning is handled by the employees. Twenty states tax these services. Delaware, Hawaii, and New Mexico only apply a gross receipts tax to the sector. Two states, Connecticut and Kansas, apply a standard sales tax and an additional environmental surcharge in the form of a gross receipts tax. Connecticut applies both a sales tax and a one percent gross receipts tax to drycleaning services.⁵³ Kansas applies a sales tax and an additional 2.5 percent gross receipts tax on drycleaning services.⁵⁴ The remaining 15 states that tax full-service drycleaning and laundry services apply a standard sales tax to the industry.

Linen supply (NAICS 812331) is taxed by 27 states listed in Table 4. Businesses in the linen supply sector provide laundered items such as bed linens, hospital gowns, diapers, and other clothing used by workers, including doctors, barbers, and waitresses.⁵⁵ Of the 27 states, only three apply a gross receipts tax to linen services. These states are Delaware, Hawaii, and New Mexico. The remaining 24 states that tax this sector apply a standard sales tax.

The final sector in the drycleaning and laundry services industry is industrial launderers (NAICS 812332). Industrial launderers provide laundered work uniforms and work clothing, including heat-resistant uniforms, treated mops, and shop towels.⁵⁶ There are 27 states that impose a tax on services in this sector, with 3 applying a gross receipts tax and 24 applying a standard sales tax. The three states that levy a gross receipts tax are Delaware, Hawaii, and New Mexico.

⁵² "North American Industry Classification System, 812310 Coin-Operated Laundries and Drycleaners," U.S. Census Bureau, 2007, <https://www.census.gov/naics/?year=2007&input=812310&details=812310>.

⁵³ "Sales and Use Tax on Dry Cleaning Services and Laundry Services, Dry Cleaning Establishment Surcharge, and Business Use Tax Obligations" (Hartford: Connecticut Department of Revenue Services, August 29, 2019).

⁵⁴ "Dry Cleaning Environmental Surcharge / Solvent Fee," Kansas Department of Revenue, accessed October 9, 2025, <https://www.ksrevenue.gov/bustaxtypesdry.html>.

⁵⁵ North American Industry Classification System, 812331 Linen Supply," U.S. Census Bureau, 2022, <https://www.census.gov/naics/?input=812&year=2022&details=812331>.

⁵⁶ "North American Industry Classification System, 812332 Industrial Launderers." U.S. Census Bureau, 2022. <https://www.census.gov/naics/?input=812&year=2022&details=812332>.

The final four-digit sector in the P&LS industry is the other personal services sector (NAICS 8129). Presented in Table 5 below are the states that tax at least one of the six-digit sectors in the other personal services sector.

Table 5: States that Tax NAICS 8129 Other Personal Services

State	Pet Care (Except veterinary) Service (NAICS 812910)	Parking Lots and Garages (NAICS 812930)	All Other Personal Services (NAICS 812990)
Arizona		Sales	
Arkansas	Sales	Sales	
Connecticut	Sales	Sales	Sales
Delaware	Receipts	Receipts	Receipts
Hawaii	Receipts	Receipts	Receipts
Iowa	Sales	Sales	Sales*
Kentucky	Sales	Sales	Sales*
Louisiana		Sales	
Minnesota	Sales	Sales	
Mississippi		Sales	
Nebraska	Sales		
New Jersey	Sales	Sales	
New Mexico	Receipts	Receipts	Receipts*
New York	Sales	Sales	
Oklahoma		Sales	
Pennsylvania	Sales		
Rhode Island	Sales		
South Dakota	Sales	Sales	Sales
Utah	Sales		Sales*
Texas	Sales*	Sales	Sales*
Washington	Receipts	Sales	Sales*
West Virginia	Sales	Sales	
Wisconsin	Sales	Sales	

Source: State Statutes, State Tax Guidance Documents, CBAER Analysis

*Does not tax every business in the sector

There are four states that apply a tax to all sectors: Delaware, Hawaii, New Mexico, and South Dakota. The following paragraphs will cover the remaining states that tax only a portion of the sectors presented in Table 5.

The first six-digit sector analyzed is pet care (non-veterinary) services (NAICS 812910). These services include pet grooming, pet boarding, pet washing, and pet training, provided they are not performed as part of a veterinary medical procedure.⁵⁷ The pet care services sector is fully taxed by 15 states and partially taxed by 4 states. Delaware, Hawaii, New Mexico, and Washington utilize a gross receipts tax, and the remaining 15 use a standard sales tax. There are four states that only tax some of the services provided by this sector. These four states are: Iowa, Pennsylvania, Utah, and Texas. They all tax pet grooming, but not other pet care services

⁵⁷ "North American Industry Classification System, 812910 Pet Care (except Veterinary) Services," U.S. Census Bureau, 2022, <https://www.census.gov/naics/?input=812&year=2022&details=812910>.

such as boarding or training. When these four states apply tax to this sector, they use a sales tax.

The next sector that CBAER analyzed was the photofinishing sector. This includes both one-hour and non-one-hour photofinishing. This sector is not presented in Table 5. A review of state statutes, regulations, and tax guidance documents supports the conclusion that services in this sector are frequently subject to taxation because they are closely linked to the creation and sale of tangible personal property, specifically photographs. Limited information availability made establishing a pattern of splitting services from tangible personal property in the photofinishing industry across the states unreliable. Therefore, these two NAICS sectors (812921 and 812922) are excluded from this analysis.

The next sector analyzed was the parking lots and garages sector (NAICS 812930). The services provided by these businesses include parking garages and valet parking services.⁵⁸ There are 19 states that apply tax on services in this sector. Delaware, Hawaii, and New Mexico use a gross receipts tax, and the remaining 16 use a standard sales tax.

The final sector is the all other personal services sector (NAICS 812990). Examples of services in this sector include dating services, bondsperson services, event planning services, and personal shopping services. Ten states apply tax to at least one service provided in the all other personal services sector (NAICS 812990). There are four states that tax all services in this sector, with two using a gross receipts tax and two using a traditional sales tax. Delaware and Hawaii use a gross receipts tax, and Connecticut and South Dakota use a traditional sales tax. Additionally, six states tax only a specific portion of the sector. Iowa, Utah, Texas, and Washington all apply sales tax to businesses providing dating services. Kentucky only applies a sales tax to event planning services in this sector.⁵⁹ The state of New Mexico applies a gross receipts tax to all services in this sector except for bondsperson services.⁶⁰

⁵⁸ “North American Industry Classification System, 812930 Parking Lots and Garages.” U.S. Census Bureau, 2022. <https://www.census.gov/naics/?input=812&year=2022&details=812930>.

⁵⁹ KRS § 139.200 (2025)

⁶⁰ NM Stat § 7-9-24 (2024)

Sales Tax Theories and Household vs. Businesses

The services included in the P&LS industry are primarily targeted at individuals, although this is not universal, as some parts of the industry provide business-focused services. An example of business-focused services is found in the drycleaning and laundry services sector (NAICS 8122), which includes hospital laundry, uniform supply, and industrial uniform services.⁶¹ Table 6 provides a breakdown of the four-digit NAICS sectors within the P&LS industry, indicating whether each sector serves households or businesses. For a full breakdown by six-digit NAICS codes, see Appendix B.

Table 6: NAICS Sector 812 Household Versus Business Impact

NAICS Code	Service Sector	Household	Business	Example Services
8121	Personal Care Services	X		Barber services
8122	Death Care Services	X		Funeral Services
8123	Drycleaning and Laundry Services	X	X	Drycleaning services, uniform supply services
8129	Other Personal Services	X	X	Pet grooming services, photofinishing services

Source: US Census NAICS, CBAER analysis

The sectors with business-focused services are the drycleaning and laundry services sector (NAICS 8123) and the all other personal services sector (NAICS 8129). Generally, sales tax is designed to be a tax on goods or services meant for personal use or final sales, meaning it is not an input good in a business process. This makes a sales tax a consumption tax, which is applied as a percentage of the total retail price of goods and services. The taxes are collected by retailers at the point of sale and then remitted to the states.⁶²

As part of the setup for a sales tax, most states focus on tangible personal property and exclude services from sales tax unless specifically enumerated in the code. This can help states avoid taxing business inputs and reduce instances of tax pyramiding. Tax pyramiding is the outcome of producers and suppliers being taxed as well as the consumer, and when included in the end price, it inherently increases prices to the consumer. This disproportionately affects smaller businesses or undercapitalized businesses, which are less able to vertically integrate to avoid taxation.⁶³

Although pyramiding is one issue that governments consider when amending the tax system, there are other factors that need to be taken into account when analyzing current tax policy, such as base erosion. Base erosion refers to a narrowing of taxable economic activity. This can

⁶¹ North American Industry Classification System, 812331 Linen Supply,” U.S. Census Bureau, 2022, <https://www.census.gov/naics/?input=812&year=2022&details=812331>.

⁶² Jared Walczak, “Modernizing State Sales Taxes: A Policymakers’ Guide” (Washington, D.C.: Tax Foundation, September 2024).

⁶³ Walczak, “Modernizing State Sales Taxes: A Policymakers’ Guide.”

happen due to exclusions, exemptions, and economic shifts away from taxable activity. Currently, base erosion is the primary challenge to the success of sales taxes as a neutral source of revenue. When first introduced, sales taxes were designed to raise revenue and maintain neutrality by applying only to the retail sales of tangible personal property. As the percentage of economic activity has shifted dramatically toward services, the sales tax base has consequently contracted.⁶⁴

Over time, the sales tax base has eroded because of increases in exemptions, the impact of the expanding digital marketplace, and the growing share of services as a percentage of GDP. The erosion of the sales tax base increased in the 21st century, where the average percentage of personal income subject to sales tax fell from just under 50 percent in 2000 to just under 35 percent in 2022.⁶⁵ This is why some states are considering taxing services that have not previously been part of the tax base. For example, Kentucky has broadened sales tax to be imposed on services deemed as final products, most notably personal care.⁶⁶

⁶⁴ John L. Mikesell, Daniel R. Mullins, and Sharon N. Kioko, "How Does the Depression-Designed Retail Sales Tax Cope with the New Economy? A Tax for the New and a Tax for the Old," *National Tax Journal* 74, no. 1 (April 2021): 187–220, <https://doi.org/10.1086/713001>.

⁶⁵ Walczak, "Modernizing State Sales Taxes: A Policymakers' Guide."

⁶⁶ Mikesell et al., "How Does the Depression-Designed Retail Sales Tax Cope with the New Economy? A Tax for the New and a Tax for the Old," *National Tax Journal* 74, no. 1 (April 2021): 187–220, <https://doi.org/10.1086/713001>.

Economic Impact Section

This section includes three different analyses of the economic activity related to the sales tax exemption on services in the P&LS industry. The first is an economic impact analysis comparing the revenue of the P&LS industry with and without the current sales tax exemption on services. The study covers the years 2025 to 2029. Next is an alternative use analysis based on the economic activity in a scenario where there is no exemption, and the revenue becomes part of the general fund of the state of Georgia. Third, a “but for” analysis, which assesses the benefits related to economic activity linked to the exemption, is also included.

CBAER used IMPLAN to calculate the potential economic impact of this policy change. IMPLAN uses four variables to describe the economic contributions in the analysis: output, value added, labor income, and employment. Each variable represents a different aspect of how this change in sales tax policy would be supported or affect the state economy. The output variable refers to the value of industry production, including net sales and inventory changes estimated by using annual production estimators embedded in IMPLAN.⁶⁷ Next is value added, which is when intermediate goods are removed from the output category. These intermediate goods include goods and services consumed or purchased from other industries or imported from outside the target area.⁶⁸ The third variable is labor income, including employee compensation and proprietors’ income. Included within employee compensation are both employee wages and benefits.⁶⁹ The final variable is employment, which includes all full-time, part-time, and temporary labor.⁷⁰

The IMPLAN model produces three elements (changes) when combined to form the total impact and is calculated for each of the four variables described above. The first element is direct employment or spending related to the industry. Next, indirect transactions that cover business-to-business spending include a wide range of items purchased locally, such as replacement of input goods, uniforms, and safety equipment. The third factor is the induced transactions, which cover consumer-to-business transactions. When employees use their earnings to purchase homes, cars, groceries, medical care, and other essential goods and services, an induced transaction occurs.

⁶⁷ “Output,” Implan, June 27, 2017, <https://support.implan.com/hc/en-us/articles/115009668388-Output>.

⁶⁸ Candi Clouse, “Value Added,” Implan, June 27, 2017, <https://support.implan.com/hc/en-us/articles/115009498847-Value-Added>.

⁶⁹ Candi Clouse, “Labor Income,” Implan, June 27, 2017, <https://support.implan.com/hc/en-us/articles/115009668468-Labor-Income>.

⁷⁰ Candi Clouse, “Employment,” Implan, June 27, 2017, <https://support.implan.com/hc/en-us/articles/115009668668-Employment>.

Economic Impact Analysis

To calculate the inputs for this analysis, CBAER used JobsEQ to gather gross domestic product data for each of the four-digit NAICS sectors in the P&LS industry for the years 2020 to 2024 and then forecasted the gross domestic product of each sector from 2025 to 2029. The forecasted GDP from 2025 to 2029 serves as the base scenario for the current exemption.

Building on this forecast, CBAER used price elasticities of demand linked to the P&LS industry to calculate the taxable revenue without exemption. This accounts for the potential change in the industry related to higher costs resulting from the imposition of the sales tax on services, see the “but for” section for a complete discussion of price elasticities. CBAER then combined the relevant elasticity with an assumed sales tax rate of 7.44 percent. This is a 4 percent state sales tax rate plus the weighted average of the local sales tax rate, which is 3.44 percent.⁷¹ The results represent the value of the sales tax exemption on services in the P&LS industry; see Table 7 for details.

Table 7: Taxable Revenue Personal and Laundry Services (NAICS 812)*

Year	Taxable Revenue with Exemption	Taxable Revenue without Exemption	Difference in Taxable Revenue between With and Without Exemption	% Change in Industry Revenue due to exemption
2025	\$4,414.76	\$4,208.53	\$206.23	5.3%
2026	\$4,481.86	\$4,272.59	\$209.28	6.1%
2027	\$4,568.82	\$4,355.54	\$213.28	6.5%
2028	\$4,644.23	\$4,427.50	\$216.74	6.2%
2029	\$4,713.89	\$4,493.95	\$219.94	6.1%
Average 2025-2029	\$4,564.71	\$4,351.62	\$213.09	6.1%

Source: CBAER Analysis Based on IBIS World Data

*Dollars in Millions

CBAER forecasted industry revenue from 2025 to 2029 in each four-digit NAICS sector. The P&LS industry is price inelastic, meaning that economic activity in the industry is not very sensitive to changes in price. Using the information from Table 7, the economic impact analysis measures the difference between unexempted and exempted revenue. In this scenario, taxable revenue with the exemption is \$4.4 billion in 2025 and increases to \$4.7 billion in 2029. When multiplied by the state tax rate of four percent, the gross tax revenue exempted by the state ranges from \$176.6 million in 2025 to \$188.6 million in 2029.

Next, if the exemption were ended, industry revenue would be lower, at \$4.2 billion in 2025 and \$4.5 billion in 2029. This difference in total industry revenue between the scenarios with and without a sales tax on services is then used to estimate the input data for the value of the sales tax exemption on services in this industry. In 2024, this would result in a reduction of

⁷¹ Walczak, “State and Local Sales Tax Rates.”

\$206.2 million, increasing to \$219.9 million in 2029. The impact analysis measures the total difference in taxable revenue resulting from the removal of the sales tax exemption. Table 8 presents the economic impact of implementing the sales tax exemption in 2025.

Table 8: 2025 Exemption Economic Impact*

Impact	Output	Value Added	Labor Income	Employment
Direct	\$206.23	\$104.14	\$114.82	5,717
Indirect	\$118.02	\$64.42	\$36.67	666
Induced	\$129.13	\$79.94	\$40.42	712
Total	\$453.38	\$248.50	\$191.92	7,095

Source: IMPLAN and CBAER Analysis

*Dollars in Millions

In 2025, the direct output impact associated with the exemption is \$206.2 million. Indirect and induced effects reached \$118.0 million and \$129.1 million in output, respectively. When all three effects are combined, the total economic impact is \$453.4 million in output. The output impact results in a change in value-added, with a direct impact of \$104.1 million. The value-added impact reaches \$248.5 million once indirect and induced effects are considered.

The exemption is also linked to employment. Direct spending in the P&LS industry due to the exemption directly supports 5,717 jobs with a labor income of \$114.8 million in 2025. As these direct dollars circulated throughout the economy, total employment reached 7,095 jobs, generating \$191.9 million in total labor income.

At the end of the analyzed timeframe in 2029, the economic impact increases. Table 9 presents the economic impact of the exemption in the final year of the analysis.

Table 9: 2029 Exemption Economic Impact*

Impact	Output	Value Added	Labor Income	Employment
Direct	\$219.94	\$111.00	\$122.25	6,087
Indirect	\$125.92	\$68.74	\$39.12	710
Induced	\$137.55	\$85.15	\$43.05	758
Total	\$483.40	\$264.88	\$204.43	7,555

Source: IMPLAN and CBAER Analysis

*Dollars in Millions

For the year 2029, the direct output impact of the exemption is \$219.9 million, which increases to \$483.4 million total output after the indirect and induced impacts are added to the direct effects. Value added also increased, with a direct impact of \$111.0 million, growing to a total of \$264.9 million. The exemption also supports employment. Direct spending in the P&LS industry, driven by increased revenues resulting from the exemption, supports 6,087 direct jobs with direct labor income of \$122.3 million. Additional spending in the P&LS industry supported a further 710 indirect and 758 induced jobs. When totaled, the additional spending in the P&LS industry linked to the exemption would have supported 7,555 jobs and generated a total of \$204.4 million in labor income.

Alternative Use Analysis

This subsection presents an alternative use analysis that estimates the amount of economic activity that would be supported if the state were to utilize the forgone revenue linked to taxing services in the P&LS industry as part of the general fund. The \$176.6 million in direct inputs used for this part of the analysis represents the amount of revenue the state of Georgia would have collected if the P&LS industry were taxed and the economic activity remained at the current level. Table 10 presents the economic impact of the state spending this revenue in 2025

Table 10: Alternate Use Analysis 2025 Economic Impact*

Impact	Output	Value Added	Labor Income	Employment
Direct	\$176.59	\$89.17	\$98.32	4,896
Indirect	\$101.05	\$55.16	\$31.40	570
Induced	\$110.57	\$68.45	\$34.61	610
Total	\$388.22	\$212.79	\$164.33	6,075

Source: IMPLAN and CBAER Analysis

*Dollars in Millions

If the state were to receive the forgone revenue linked to the exemption, it would be expected to support 4,896 direct jobs with a labor income of \$98.3 million. After including indirect and induced effects, the total employment supported increases to 6,075 jobs, and total labor income supported increases to \$164.3 million. The spending of the forgone revenue is expected to increase direct value added to the state economy by \$89.2 million. Once indirect and induced effects are considered, the total value added impact on the state economy is \$212.8 million.

Next, CBAER estimated the amount of new tax collections for both state and local governments from the alternate use activities for the fiscal year 2025.

Table 11: Total New State and Local Alternative Use Tax

Category	State tax	Local Tax
Property Taxes		\$1.45
Georgia Income Tax	\$8.48	
Sales Taxes	\$0.78	\$0.77
Georgia All Other Taxes	\$2.91	
Total State and Local Tax	\$12.17	\$2.22

Source: IMPLAN and CBAER Analysis

*Dollars in Millions

Based on the alternate use economic impact analysis, the total state collection would be \$12.2 million in 2025, with an additional \$2.2 million in local tax collections. The tax collection linked to this analysis is based on the secondary impact of individuals paying state and local taxes on their income from alternative use activities. The largest category for state government in terms of new revenue is the income tax estimate of \$8.5 million (69.7 percent of the total). The local tax collections are primarily comprised of property taxes, which account for 65.3 percent of the total local tax estimate.

But For Analysis

As noted in the economic impact analysis subsection, a price elasticity of demand analysis was conducted to estimate the amount of economic activity that would be affected by taxing the P&LS industry. This is a common method for calculating the economic impact of adding sales taxes to a product or industry. Price elasticities of demand quantify the change in final demand for a good or service in response to a change in price.⁷² The elasticities used for this calculation are tailored to every four-digit NAICS sector in the P&LS industry. These tailored elasticities are derived from a comprehensive literature review on the price elasticities of services that are, or are similar to, services in the P&LS industry, and are presented later in this section.

Price elasticities of demand measure the sensitivity of consumers to changes in the price of a good or service. Typically, there are two types of price elasticities: inelastic and elastic. Inelastic price elasticities have an absolute value between zero and one, meaning that consumer demand is not very sensitive to changes in price. In contrast, elastic price elasticities have absolute values greater than one, and signal that consumer demand is sensitive to changes in price. Both types of price elasticities of demand quantify how much final consumer demand for a good or service changes in response to a change in nominal pricing.⁷³ For example, if the price elasticity of demand for laundry services is -0.75, then a one percent rise in the price of laundry services to consumers would result in a 0.75 percent reduction in the demand for laundry services. To find the elasticities for the P&LS industry, the research team conducted a comprehensive literature review of elasticities of demand from academic and industry sources.

The four four-digit NAICS sectors in the P&LS industry codes used in this analysis, along with their price elasticities of demand, are presented in Table 11.

Table 11: Price Elasticities for Each Four-digit NAICS Sector

NAICS Code	Industry	Price Elasticity
8121	Personal Care Services	-0.649
8122	Death Care Services	-0.3
8123	Drycleaning and Laundry Services	-0.75
8129	Other Personal Services	-0.609

Source: CBAER Analysis

Following the format in Table 11, CBAER began with the personal care services sector (NAICS 8121). Changes in pricing in this sector have an inelastic price elasticity of -0.649 based on a 2024 estimation of the price elasticity of consumer services.⁷⁴ The elasticity in this report was

⁷² Stefanie Stancheva, "Lecture 3: Tax Incidence and Efficiency Costs of Taxation," Tax Incidence, 2017, <https://scholar.harvard.edu/files/lecture3.pdf>

⁷³ Stancheva, "Lecture 3: Tax Incidence and Efficiency Costs of Taxation"

⁷⁴ Ensieh Shojaeddini et al., "Consumer Demand and the Economy-Wide Costs of Regulation: Modeling Households with Empirically Estimated Flexible Functional Forms," *Journal of Environmental Economics and Management* 125 (May 2024): 102972, <https://doi.org/10.1016/j.jeem.2024.102972>.

also segmented down to the Southeast Census region and represents the closest match available.

Next, the death care services sector (NAICS 8122) is the most inelastic of the services within the P&LS industry. Typically, consumers generally do not have large windows of time to plan for a funeral or cremation, and there are limited to no substitutes for these services. Consumer decisions on death care expenditures essentially boil down to whether to cremate or bury.⁷⁵ Cremation and burial are economic substitutes, with cremation becoming a more popular option among consumers. In 2023, 60.5 percent of consumers chose cremation, which is expected to increase to 81.4 percent by 2045, with costs being the most frequently noted factor.⁷⁶ Given these compounding factors, CBAER has used -0.3 as the elasticity for the Death Care Services industry.⁷⁷

The drycleaning and laundry services sector (NAICS 8123) elasticity is based on research from the U.S. Department of Energy (DOE) into the costs of regulations on commercial clothes washers (CCW), which finds that demand for washers and dryers in both residential and commercial settings is much more inelastic than other durable goods (between -0.14 and -0.27).⁷⁸ Although the DOE found no direct estimation of the elasticity of demand for laundry services due to the niche market, a literature review of the general price elasticity of services and the inelasticity of laundry machines led the DOE to estimate a price elasticity of laundry services between -0.5 and -1 for regulation cost analysis for CCWs.⁷⁹ CBAER elected to use the midpoint of these estimates, which is -0.75.

Other personal services (NAICS 8129) is an output weighted average of the general consumer services price elasticity mentioned earlier, and a custom price elasticity for the parking lots and garages (NAICS 812930). A 2019 meta-analysis on the price elasticity of parking concluded with an average elasticity between -0.63 and -0.53.⁸⁰ The analysis also notes that commuter parking is mostly, if not entirely, unaffected by price, as there are parking agreements between employers and employees.⁸¹

⁷⁵ Jerry Ellig, "State Funeral Regulations: Inside the Black Box," *Journal of Regulatory Economics* 48, no. 1 (May 13, 2015): 97–123, <https://doi.org/10.1007/s11149-015-9280-4>.

⁷⁶ "U.S. Cremation Rate Expected to Top 80% by 2045," National Funeral Directors Association (NFDA), September 1, 2023, <https://nfda.org/news/media-center/nfda-news-releases/id/7717/us-cremation-rate-expected-to-top-80-by-2045>.

⁷⁷ Ellig, "State Funeral Regulations: Inside the Black Box"

⁷⁸ "APPENDIX 9-A. RELATIVE PRICE ELASTICITY OF DEMAND FOR CLOTHES WASHERS" (U.S. Department of Energy, n.d.).

⁷⁹ "APPENDIX 9-A. RELATIVE PRICE ELASTICITY..."

⁸⁰ Stephan Lehner and Stefanie Peer, "The Price Elasticity of Parking: A Meta-Analysis," *Transportation Research Part A: Policy and Practice* 121 (March 2019): 177–91, <https://doi.org/10.1016/j.tra.2019.01.014>.

⁸¹ Lehner and Peer, "The Price Elasticity of Parking: A Meta-Analysis."

Using this information, CBAER applied respective tailored elasticity rates to the taxable revenue forecast for each four-digit NAICS sector. When these rates were applied to the taxable revenue, the method used by CBAER is consistent with the Compliance Auditing in Georgia Counties and Municipalities standard. This means that the total state and local tax rate is included in the calculations used in this report.

The results of these calculations were then combined to determine the total change in taxable revenue for the P&LS industry. As mentioned earlier in the “Tax Provision Background Information” section, each of the four four-digit NAICS sectors follows different growth trends. For example, the other personal services (NAICS 8129) exhibited faster growth rates in employment and establishments than the laundry and drycleaning services (NAICS 8123). When growth rates differ, the percentage of taxable revenue contributed by each of the four-digit sectors to the P&LS industry changes depending on the year analyzed. When the price elasticity of demand calculation for each four-digit NAICS sector was reaggregated to form the total change in taxable revenue for the P&LS industry, the total change in taxable revenue for the industry ranged from -0.53 to -0.65, depending on the year analyzed.

Fiscal Analysis

The total fiscal impact on state and local governments is calculated as the gross forgone sales tax revenue from the P&LS industry, offset by the increased tax revenue generated by economic activity associated with the exemption. Forgone state tax revenue is calculated at the state sales tax rate of 4 percent. Table 12 shows the additional state and local taxes associated with the economic activity generated by the exemption in 2025.

Table 12: Personal and Laundry Services Sales Tax Exemption Potential Revenue Collection For 2025

Type of Tax	State impact	Local impact	Total
Sales Taxes Linked to Economic Activity	\$4.30	\$2.43	\$6.73
Personal Income Tax Linked Economic Activity	\$4.84		\$4.84
Property Taxes Linked to Economic Activity		\$5.51	\$5.51
Corporate Profits Tax-Linked Economic Activity	\$0.53		\$0.53
Other Tax-Linked Economic Activity	\$0.33	\$0.44	\$0.77
Total Tax Receipts	\$10.01	\$8.38	\$18.39

Source: IMPLAN and CBAER Analysis; *Dollars in Millions

State tax collections associated with the economic activity related to the exemption totaled \$10 million in 2025, and local tax collections amounted to \$8.4 million. Combined, state and local tax collections associated with the economic activity generated from the exemption were \$18.4 million.

CBAER next calculated the fiscal impact of the exemption by subtracting the additional potential revenue from Table 12 above from gross forgone state revenue. Gross forgone state revenue is calculated using the total taxable revenue of the P&LS industry, excluding the exemption from Table 7 in the economic impact section, and the state sales tax rate of 4 percent. The results of these calculations for the years 2025 to 2029 are presented in Table 13.

Table 13: Fiscal Impact of Exemption to Georgia 2025-2029*

Year	Forgone State Tax Revenue from Exemption	State Tax Collection based on the Lost economic activity	Total Fiscal Impact
2025	\$176.59	\$10.01	\$166.58
2026	\$179.27	\$10.16	\$169.12
2027	\$182.75	\$10.35	\$172.40
2028	\$185.77	\$10.51	\$175.26
2029	\$188.56	\$10.67	\$177.89
Total	\$912.94	\$51.70	\$861.24

Source: IMPLAN and CBAER Analysis; *Dollars in Millions

The forgone state revenue is the state sales tax that would be collected if the P&LS services industry were to collect a state sales tax on services. This collection ranges from \$176.6 million in 2025 to \$188.6 million in 2029. However, if the state made this change, the decrease in state and local collections would range from \$10.0 million in 2025 to \$10.7 million in 2029. This would result in the total fiscal impact of the exemption to the state of Georgia ranging from \$166.6 million in 2025 to \$177.9 million in 2029.

Finally, CBAER calculated the return on investment (ROI) from the exemption using the current total output and total fiscal impact. In 2025, the exemption is linked to \$453.4 million in total output and \$166.6 million in total fiscal impact. According to these figures, for every \$1 million the state exempts, there is a \$1.7 million increase in total economic output.⁸²

For comparison, CBAER also calculated the ROI for alternative use impacts. In 2025, if the forgone state tax revenue were collected and used in the general fund, the ROI would be \$1.2. This means that for every million dollars the state would be spending, the economy would be getting an ROI on the investment of \$1.2 million.⁸³

⁸² \$453.38 million total output (Table 8) divided by \$166.6 million fiscal cost (Table 13)

⁸³ \$388.22 million total output (Table 10) divided by \$176.59 million fiscal cost (Table 13)

Assessment of Provision, Purpose, and Outcome

This section of the report was developed to address several core questions asked in the Tax Expenditures Transparency Act of 2024 (O.C.G.A. 28-5-41.1(b)). The questions set forth in this act include: an assessment of whether the provision meets the stated or implied purpose, information on whether modifying or ending the provision would affect beneficiaries and the state economy, and a review of other impacts of the business activity linked to the provision.

Provision Stated or Implied Purpose

While the Georgia code does not provide an explicit code section for the P&LS industry tax exemption, which makes it challenging to determine the stated or implied purpose, CBAER has developed four possible intended purposes for the exemption. The first is avoiding taxing essential or household services that disproportionately impact lower-income households.⁸⁴ Sales taxes are regressive by nature, as lower income households spend a greater percentage of their income on goods and services than higher-income households.⁸⁵ Other sales tax exemptions, such as the grocery tax exemption in Georgia, have been implemented in part to mitigate the impact of the sales tax system on lower-income households.⁸⁶ There are some services in the P&LS industry, such as coin-operated laundry services, that are more widely used by lower income households. By not taxing these services, the exemption is reducing the impact of the sales tax on these households.

The second proposed purpose is avoiding pyramiding, where business inputs are present, to improve tax fairness and allow firms to grow.⁸⁷ The current system also helps prevent tax pyramiding from adding costs for end users, and it simplifies administration for both businesses in the industry and the state government. The providers continue to pay tax on many consumable inputs, and exempting the service reduces cascading of the tax.

Third, this structure also eliminates input-credit or exemption administration for the thousands of micro-vendors of these services within the state. These are sole proprietors or independent contractors who would need to collect sales taxes on services if the industry were subject to taxation. Further, the state would need to potentially enforce the collection of this tax, which would be challenging due to the number of small operations in this industry, by sparing them the cost and complexity of registration, periodic tax filings, and record-keeping requirements. It

⁸⁴ Michael Mazerov, "Expanding Sales Taxation of Services: Options and Issues," TaxCouncil, July 2009, <http://atstats.gsu.edu/TaxCouncil/downloads/Document.pdf>.

⁸⁵ Peter S Bluestone, Robert D. Buschman, and Nicholas I Warner, rep., *Tax Incentive Evaluation: Georgia Sales Tax Exemption for Food for Off-Premises Consumption* (Georgia Department of Audits and Accounts, November 2022), <https://www.audits.ga.gov/ReportSearch/download/28852>.

⁸⁶ Peter S Bluestone. Et al. "Tax Incentive Evaluation: Georgia Sales Tax Exemption for Food for Off-Premises Consumption"

⁸⁷ Bruce, D., Fox, W. F., & Luna, L. (2009). State and local sales tax treatment of business-to-business services and their impact on tax pyramiding. *State Tax Notes*, 53(8), 583–597.

also reduces the audit and collections workload for the state, allowing both agencies and businesses to focus resources on core services rather than compliance.⁸⁸

The fourth factor is maintaining parity with neighboring states that exclude many personal services from taxation.⁸⁹ While employing an exemption is consistent with neighboring states, there is some room to tax certain sectors within the drycleaning and laundry sector (NAICS 8123) and other personal services sector (NAICS 8129) without affecting parity. Examples would be services where an employee provides services that are subject to sales taxes, while other market segments offer self-service options that are exempt.

The Provision and State Economy

The next part examines whether modifying or ending the provision would affect beneficiaries. Generally, changing or ending the provision would have a modest effect on the usage of these services. As noted in the but-for analysis, prices in the P&LS industry are inelastic, meaning that an increase in prices will not significantly reduce usage. Any changes in pricing could have a more pronounced impact on frequent or low-income users of these services.⁹⁰

Under the current law, the return on investment (ROI) could change if the provision is modified or ended. The exemption yields a return on investment of \$1.7 million in output to the economy for every \$1 million of net fiscal cost. Removal of the exemption and adding the proceeds to the general fund would result in approximately 14 percent less output and 14 percent fewer jobs (\$388 million vs. \$453 million and 7,095 vs. 6,075 jobs, respectively). The net forgone state revenue for the years 2025-2029 is \$861.2 million (cumulative forgone revenue of \$912.9 million less \$51.7 million added state collections from increased economic activity).

The exemption supports a market structure that is dominated by small businesses. The modeled employment gains, including 7,095 jobs in 2025, occur in a sector dominated by micro firms. The exemption reduces the compliance burden and helps sustain neighborhood providers relative to national chain stores. The indirect and induced effects total \$247 million in 2025, providing evidence of meaningful local multipliers of economic activity.

⁸⁸ Danielle Fallon-O’Leary, “Micro-Businesses and Startups: Key Differences,” CO, December 28, 2023, <https://www.uschamber.com/co/start/startup/micro-businesses-vs-startups>.

⁸⁹ Michael Mazerov, “Expanding Sales Taxation of Services: Options and Issues,” TaxCouncil, July 2009, <http://atstats.gsu.edu/TaxCouncil/downloads/Document.pdf>.

⁹⁰ Peter S Bluestone. Et al. “*Tax Incentive Evaluation: Georgia Sales Tax Exemption for Food for Off-Premises Consumption*”

Other Impacts of the Business Activity Linked to the Provisions

Finally, a review of the other impacts of business activity linked to the provision was included in the analysis. Applying sales tax on the P&LS industry would, in effect, increase the cost of P&LS services to consumers. Example services are: drycleaning services, linen services, barber services, funeral services, parking services, massage services, and pet grooming services. Businesses in the P&LS sector provide services that enhance the quality of life for consumers. Most services in the P&LS industry serve final consumers, not businesses; therefore, taxation of the industry would not significantly increase tax pyramiding as long as an appropriate exemption for business inputs is put into place.

The P&LS industry is highly location-specific, and urban and suburban zones remain the most competitive areas for many of these services.⁹¹ Additionally, national trends for services such as funeral services and laundry services include low growth and industry consolidation. An additional cost on the P&LS industry could accelerate the trend of consolidation and further limit consumer choice for these services, especially in densely populated areas. For funeral and cremation services, additional costs may marginally increase the percentage of consumers opting for cremations instead of burials.⁹²

The current exemption benefits the P&LS industry, and its removal could have consequences for both the state and the industry. Consumer demand for services in the P&LS are relatively inelastic; therefore, removal of the exemption on the P&LS industry would likely raise revenue without a disproportionately large contraction in the P&LS industry. States frequently apply sales tax to at least a portion of the P&LS industry, but also provide exemptions to portions that are deemed essential or primarily serve lower-income individuals. For example, only five states tax funeral services and cremation services. Another example is that twelve of the 20 states that tax dry cleaning and laundry services provide exemptions for coin-operated or self-service laundromats, which are more frequently used by those with lower incomes. Additionally, the extra revenue resulting from the exemption for P&LS businesses is likely to be reinvested within their respective communities. Extra labor income is anticipated to be allocated to local employees, as opportunities for remote work or outsourcing are extremely limited due to the highly location-dependent nature of services in the P&LS industry.

⁹¹ Tang, "Hair & Nail Salons in the US - Market Research Report (2015-2030)."

⁹² Tang, "Funeral Homes in the US" (IBISWorld, April 2025).

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Appendix A: Definitions NAICS 812 Personal and Laundry Services

NAICS Code Series Title		Definition
8121	Personal Care Services	<i>This industry group comprises establishments, such as barber and beauty shops, that provide appearance care services to individual consumers.</i>
812111	Barber Shops	This U.S. industry comprises establishments known as barber shops or men's hair stylist shops primarily engaged in cutting, trimming, and styling men's and boys' hair; and/or shaving and trimming men's beards.
812112	Beauty Salons	This U.S. industry comprises establishments (except those known as barber shops or men's hair stylist shops) primarily engaged in one or more of the following: (1) cutting, trimming, shampooing, coloring, waving, or styling hair; (2) providing facials; and (3) applying makeup (except permanent makeup).
812113	Nail Salons	This U.S. industry comprises establishments primarily engaged in providing nail care services, such as manicures, pedicures, and nail extensions.
812191	Diet and Weight Reducing Centers	This U.S. industry comprises establishments primarily engaged in providing non-medical services to assist clients in attaining or maintaining a desired weight. The sale of weight-reduction products, such as food supplements, may be an integral component of the program. These services typically include individual or group counseling, menu and exercise planning, and weight and body measurement monitoring.
812199	Other Personal Care Services	
8122	Death Care Services	<i>This industry group comprises establishments primarily engaged in preparing the dead for burial or interment, conducting funerals, operating sites or structures reserved for the interment of human or animals remains, and/or cremating the dead.</i>
812210	Funeral Homes and Funeral Services	This industry comprises establishments primarily engaged in preparing the dead for burial or interment and conducting funerals (i.e., providing facilities for wakes, arranging transportation for the dead, selling caskets and related merchandise). Funeral homes combined with crematories are included in this industry.
812220	Cemeteries and Crematories	This industry comprises establishments primarily engaged in operating sites or structures reserved for the interment of human or animal remains and/or cremating the dead. Examples are Cemetery associations (i.e., operators of cemeteries), Memorial gardens (i.e., burial places), Pet cemeteries, Crematories (except combined with funeral homes), and Mausoleums.
See next page for more information		

Continued

NAICS Code	Series Title	Definition
8123	Drycleaning and Laundry Services	<i>This industry group comprises establishments primarily engaged in operating coin- or card-operated or similar self-service laundries and drycleaners; providing drycleaning and laundry services (except coin- or card-operated); and supplying, on a rental or contract basis, laundered items (e.g., uniforms, gowns, shop towels, etc.). Included in this industry group are establishments primarily engaged in supplying and servicing coin- or card-operated Laundry and drycleaning equipment in places of business operated by others, such as apartments and dormitories</i>
812310	Coin-Operated Laundries and Drycleaners	This industry comprises establishments primarily engaged in one or more of the following: (1) providing drycleaning services (except coin- or card-operated); (2) providing laundering services (except linen and uniform supply or coin- or card-operated); (3) providing drop-off and pick-up sites for laundries and/or drycleaners; and (4) providing specialty cleaning services for specific types of garments and other textile items (except carpets and upholstery), such as fur, leather, or suede garments; wedding gowns; hats; draperies; and pillows. These establishments may provide all, a combination of, or none of the cleaning services on the premises.
812320	Drycleaning and Laundry Service (except Coin-Operated)	This industry comprises establishments primarily engaged in one or more of the following: (1) providing drycleaning services (except coin- or card-operated); (2) providing laundering services (except linen and uniform supply or coin- or card-operated); (3) providing drop-off and pick-up sites for laundries and/or drycleaners; and (4) providing specialty cleaning services for specific types of garments and other textile items (except carpets and upholstery), such as fur, leather, or suede garments; wedding gowns; hats; draperies; and pillows. These establishments may provide all, a combination of, or none of the cleaning services on the premises.
812331	Linen Supply	This U.S. industry comprises establishments primarily engaged in supplying, on a rental or contract basis, laundered items, such as table and bed linens; towels; diapers; and uniforms, gowns, or coats of the type used by doctors, nurses, barbers, beauticians, and waitresses.
812332	Industrial Launderers	This U.S. industry comprises establishments primarily engaged in supplying, on a rental or contract basis, laundered industrial work uniforms and related work clothing, such as protective apparel (flame and heat resistant) and clean room apparel; dust control items, such as treated mops, rugs, mats, dust tool covers, cloths, and shop or wiping towels.

See next page for more information

Continued

NAICS Code	Series Title	Definition
8129	Other Personal Services	<i>This industry group comprises establishments primarily engaged in providing personal services (except personal care services, death care services, or drycleaning and laundry services).</i>
812910	Pet Care (Except Veterinary) Services	This industry comprises establishments primarily engaged in providing pet care services (except veterinary), such as boarding, grooming, sitting, walking, and training pets.
812921	Photofinishing Laboratories (Except One-Hour)	This U.S. industry comprises establishments (except those known as "one-hour" photofinishing labs) primarily engaged in developing film and/or making photographic slides, prints, and enlargements.
812922	One-Hour Photofinishing	This U.S. industry comprises establishments known as "one-hour" photofinishing labs primarily engaged in developing film and/or making photographic slides, prints, and enlargements on a short turnaround or while-you-wait basis.
812930	Parking Lots and Garages	This industry comprises establishments primarily engaged in providing parking spaces for motor vehicles, usually on an hourly, daily, or monthly basis and/or valet parking services.
812990	All Other Personal Services	This industry comprises establishments primarily engaged in providing personal services (except personal care services, death care services, drycleaning and laundry services, pet care services, photofinishing services, or parking space and/or valet parking services). Examples are Bail bonding or bondsperson services, Shoeshine services, Coin- or card-operated personal services machine (e.g., blood pressure, locker, photographic, scale, shoeshine) concession operators, social escort services, Consumer buying services, Wedding planning services, Dating services, and Personal fitness training services.

Source: North American Industry Classification System (NAICS) U.S. Census Bureau

Appendix B: NAICS 812 Household Versus Business Impact

NAICS Sector 812 Household Versus Business Impact				
NAICS Code	Service Sector	Household	Business	Example Service
8121	<i>Personal Care Services</i>			
812111	Barber Shops	X		Haircuts for men
812112	Beauty Salons	X		Beautician services
812113	Nail Salons	X		Manicurist services
812191	Diet and Weight Reducing Centers	X		Non-medical weight loss centers
812199	Other Personal Care Services	X		Ear piercing services
8122	<i>Death Care Services</i>			
812210	Funeral Homes and Funeral Services	X		Mortician services
812220	Cemeteries and Crematories	x		Cemetery management services
8123	<i>Drycleaning and Laundry Services</i>			
812310	Coin-Operated Laundries and Drycleaners	X		Self-service laundromat
812320	Drycleaning and Laundry Service (except Coin-Operated)	X		Pick-up and drop off drycleaning services
812331	Linen Supply		X	Uniform supply services
812332	Industrial Launderers		X	Protective apparel supply services
8129	<i>Other Personal Services</i>			
812910	Pet Care (Except Veterinary) Services	X		Animal grooming services
812921	Photofinishing Laboratories (Except One-Hour)	X	X	Film developing and printing (except one-hour)
812922	One-Hour Photofinishing	X	X	Film developing and printing (one-hour)
812930	Parking Lots and Garages			Valet parking services, parking lots
812990	All Other Personal Services	X		Dating services, psychic services, bondsperson services

Source: U.S Census NAICS

Georgia and Contiguous States NAICS 812 sales tax strategies

NAICS Code	Service Sector	Alabama	Georgia	Florida	North Carolina	South Carolina	Tennessee
8121	Personal Care Services						
812111	Barber Shops	no	no	no	no	no	no
812112	Beauty Salons	no	no	no	no	no	no
812113	Nail Salons	no	no	no	no	no	no
812191	Diet and Weight Reducing Centers	no	no	no	no	no	no
812199	Other Personal Care Services	no	no	no	no	no	no
8122	Death Care Services						
812210	Funeral Homes and Funeral Services	no	no	no	no	no	no
812220	Cemeteries and Crematories	no	no	no	no	no	no
8123	Drycleaning and Laundry Services						
812310	Coin-Operated Laundries and Drycleaners	no	no	no	no	no	no
812320	Drycleaning and Laundry Service (except Coin-Operated)	no	no	yes	yes	yes	yes
812331	Linen Supply	no	no	no	yes	yes	no
812332	Industrial Launderers	no	no	no	yes	yes	no
8129	Other Personal Services						
812910	Pet Care (Except Veterinary) Services	no	no	no	no	no	yes*
812921	Photofinishing Laboratories (Except One-Hour)	no	no	no	yes	no	no
812922	One-Hour Photofinishing	no	no	no	yes	no	no
812930	Parking Lots and Garages	no	no	yes	no	no	yes
812990	All Other Personal Services	no	no	no	no	no	no

Source: CBAER Analysis

*Does not tax all services in the sector