



ROB HUTTON

STATE SENATOR | 5th DISTRICT

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January 17, 2024

TO: Senate Committee on Universities and Revenue

FR: Senator Rob Hutton

RE: Senate Bill 845 — Standard industrial classification codes for linen supply and industrial launderers

Thank you for holding a hearing on Senate Bill 845. This bill re-classifies the textile reclamation industry to more accurately reflect the nature of their business.

Companies that reclaim and repurpose textile provide an important and necessary function for many parts of our economy. These companies take soiled and unusable products and reclaim them into products necessary for the continued operations of the businesses they serve.

Millions of Americans rely on this industry every day for clean uniforms, garments, hospital and restaurant linens, shop towels, walk-off mats, and other products supplied with hygienic, sustainable laundering practices.

The linen, uniform, and facility laundry industry employs thousands of people in Wisconsin, supplies 40,000 customers across the state, and processes over 15 billion pounds of laundry annually. Their practices have a heavy focus on sustainable and safe operations. Over the last decade, for example, industrial-scale launderers have cut their annual water usage by nearly 10 billion gallons.

In order to classify business activity, Wisconsin and the Federal government have long relied on a system of classifications known as the Standard Industrial Classification (SIC) codes. SIC codes are four-digit numerical codes that categorize the industries that companies belong to based on the nature of their business activities.

There are disparities under current law among substantially similar industries, however. Scrap metal processors that use large machines for re-melting purposes and waste paper processors that use large machines for recycling purposes are considered manufacturers.

However, the textile reclamation industry, which engages in a substantially similar business by processing unusable fabric or cloth fibers using large machinery for recycling and new use, is not considered manufacturing under current law.

SB 845 adds the textile reclamation industry SIC codes to the list of prima facie manufacturers alongside other similar industries.

Again, thank you for your time and consideration of this bill. I respectfully ask for your support.



SCOTT KRUG

STATE REPRESENTATIVE • 72nd ASSEMBLY DISTRICT

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P.O. Box 8952
Madison, WI 53708-8952
Rep.Krug@legis.wi.gov

To: Senate Committee on Universities and Revenue
From: Rep. Scott Krug
Re: 2023 Senate Bill 845, Supporting Manufacturers in WI
Date: January 17th, 2024

Over 10 years ago the Manufacturing and Ag Tax Credit (MAC) was passed into law to help manufacturers maintain competitiveness in the State of WI. It has helped a countless number of businesses (large and small) reinvest into their employees. A great example is a small machine shop in the industrial park in Wisconsin Rapids who were finally able to afford to provide a long-term care program for the employees of the company as an additional benefit to assist in recruitment and retention. This credit has made a real impact in all our manufacturing communities in Wisconsin.

Classification of businesses and transactions is a central part of how government regulates, taxes business activity, and collects data on the US economy. To classify business activity, Wisconsin and the Federal government long relied on a system of classifications known as the Standard Industrial Classification (SIC) codes. SIC codes are four-digit numerical codes that categorize the industries that companies belong to based on their business activities.

Companies that reclaim and repurpose textile provide an important and necessary function for nearly every part of our economy. Millions of Americans rely on this industry every day for clean uniforms, garments, hospital and restaurant linens, shop towels, walk-off mats, and other products supplied with hygienic, sustainable laundering practices. These companies take soiled and unusable products and reclaim them into the products necessary for continued operations.

The linen, uniform, and facility laundry industry employs thousands of people in Wisconsin, supplying 40,000 customers across the state, and processing over 15 billion pounds of laundry annually. Their practices have a heavy focus on sustainable and safe operations. Over the last decade, for example, industrial-scale launderers in have cut their annual water usage by nearly 10 billion gallons.

Under current law, scrap processors using large machines for remelting purposes and processors of waste paper using large machines for recycling purposes are considered manufacturers. However, the textile reclamation industry, which processes unusable fabric or cloth fibers using large machinery for recycling and new-use purposes, is not considered manufacturing under current law. Senate Bill 845 would add these SIC codes to the list of prima facie manufacturers.

This change in state law (adding these SIC codes) will help over 2,500 manufacturing employees (including those at UniFirst in Wisconsin Rapids) by allowing their employer the opportunity to invest dollars back into the workforce and/or expand operations here in Wisconsin. For an area like Wisconsin Rapids who has lost major manufacturers I'd greatly appreciate your support on SB845.

I would be happy to answer any questions, thank you for your time and having a hearing on SB845.

Rep. Scott Krug, 72nd Assembly District



TO: Senate Committee on Universities and Revenue

FROM: Wisconsin Manufacturers & Commerce

DATE: January 17, 2024

RE: **Support For SB 845, Manufacturing Classification For Linen Supply & Industrial Launderers**

WMC urges committee members to support SB 845. This bill simply classifies linen supply companies and industrial launderers as manufacturers for purposes of property assessment and tax credit eligibility. This classification will help promote this industry in Wisconsin and mirror the classification of other industries currently in statute.

WMC is the largest general business association in Wisconsin, representing approximately 3,800 member companies of all sizes, and from every sector of the economy. Since 1911, our mission has been to make Wisconsin the most competitive state in the nation to do business. SB 845 will help these businesses reinvest in their operations and employees to keep the textile reclamation industry strong in the state.

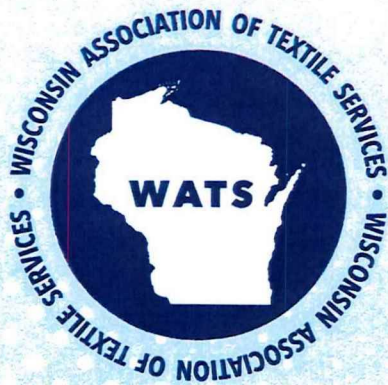
Wisconsin follows the standard industrial classification manual to identify manufacturing businesses for tax and other purposes and has separately identified 26 other codes or operations that are considered prima facie manufacturing, but not included under the manufacturing code.

SB 845 aligns the textile reclamation industry with scrap metal and waste paper, fiber, and plastic processors, already considered manufacturers under current law, by adding them to the list of prima facie manufacturers.¹ Like these manufacturers, the textile reclamation industry takes fabric, cloth, and other articles that have been utilized to exhaustion and otherwise would be discarded and processes them into new, useable products.

Making this industry eligible for the manufacturing and agriculture credit will help support more than 2,500 jobs across the state by allowing employers to reinvest in their workforce and expand operations here in Wisconsin.

We urge the committee to support this legislation and align the textile reclamation industry with existing identified manufacturers.

¹ See Wis. Stat. § 70.995(2)(x) and (y) (“Scrap processors using large machines processing iron, steel or nonferrous scrap metal and whose principal product is scrap iron and steel or nonferrous scrap metal for sale for remelting purposes; processors of waste paper, fibers or plastics using large machines for recycling purposes.”).



Please Support SB 845:

standard industrial classification codes for linen supply & industrial launderers, modifying the manufacturing and agriculture tax credit.

The **Wisconsin Association of Textile Services (WATS)**, established in 1986, comprises employees and vendors dedicated to material reuse. Our laundries act as collection points, ensuring proper substance disposal. Our members take waste materials destined for the landfill, and through the application of manufacturing processes, create newly useable products.

In Wisconsin

40k
CUSTOMERS

Including restaurants, manufacturing facilities, grocers, ambulatory care, hospitals/extended care, automotive repair/dealers.

2,700
EMPLOYEES

The **3rd largest fleet** among all industries in WI, with **25,000+ vehicles** delivering textiles and facility services products.

37
COMPANIES

Provide clean uniforms, garments, linens, towels, walk-off mats and other hygiene products to maximize efficiencies and minimize energy & chemical usage.

15 billion lbs.
of laundry processed annually
across the U.S.

AB 945/SB 845:

standard industrial classification codes for linen supply and industrial launderers and modifying the manufacturing and agriculture tax credit.

Currently, linen supply and industrial launderers are not listed as manufacturers in the Standard Industrial Classification (SIC) manual. The SIC manual was created by the federal government to create codes that classify and categorize businesses based on their economic activities.

This bill adds SIC codes for the linen supply and industrial launders industry for the purpose of assessing property as manufacturing property to claim certain income tax credits and sales and use tax exemptions.

Learn more about **WATS** by visiting wislaundries.com, or scan the QR Code here:



Peter Welch
The Welch Group
Managing Partner and EVP
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Prepared by The Welch Group, 2023



Wisconsin Association of Textile Services

To: Chairman Hutton and Members of the Senate Committee on Universities and Revenue

From: James M. Leef, President of ITU AbsorbTech, Inc.

Re: Support Senate Bill 845

Date: January 17, 2024

Thank you, Chairman Hutton and the Committee for taking up our issue on the taxation of commercial laundry companies in the state. I am here to speak about SB 845 and I ask for your support of the bill.

My name is James Leef and I am CEO of ITU AbsorbTech, Incorporated. We are an industrial laundry with processing laundry facilities in New Berlin and Neenah, Wisconsin. We also have plants in Indiana, Pennsylvania and South Carolina. In total, we employ about 500 people, half of them in Wisconsin. Our niche in the diverse laundry industry is serving truly 'industrial' customers. We primarily provide textile products to manufacturing companies that shape metal, mold and form plastics and put ink on paper or plastic film used in consumer packaging. We service customers that make, operate and maintain machinery.

I am also the President of the Wisconsin Association of Textile Services (WATS). The WATS member companies that are here today, and those who are not, each have their own areas of specialization in the customers they service and the systems they use in their plants. The common thread in the laundry industry is that we all convert textile products that are unusable after a single use into a usable product.

The laundry industry is about re-using products rather than discarding them. WATS member companies do differ in what they are designed to process. Some do work for the healthcare community, others for hospitality and others – like my company – serve industrial customers. Regardless of the sector we serve, the alternative for our customers is generally disposable products. Or, employees of our customers washing dirty clothing at home.

The largest portion of the ITU AbsorbTech product mix are absorbents used in manufacturing. Sorblts® are our proprietary line of launderable, reusable absorbents. Sorblts are used on the floors, at workstations and under and around all sorts of manufacturing machinery. There are a variety of towels, pads, mats and socks that are designed to capture and hold oils and EPA-regulated solvents until we recover them in the cleaning process. The next largest line for us is industrial shop towels, used in manufacturing and printing operations. Another significant sector of our business is work clothing that employees at our customer companies wear on the job. In this sector, the alternative to use of a service like ours is washing clothing with varying degrees of oil, solvent, and other industrial soil in homes where the soils directly enter residential sewer systems.

When our products are used in industrial plants, they become very dirty, including oils, regulated solvents, lubricants and other non-hazardous materials. Through the industrial laundry process,

products we provide to customers on a rental basis can be used dozens, even hundreds, of times before they are removed from service. Not only are the textiles recycled and reused; in my company's system, the oils and solvents are recovered through our wastewater treatment systems and put to reuse instead of being released into the environment. Our recovered liquid waste streams are sent off-site for beneficial uses including as marine and aviation fuel, in asphalt plants, re-refining, and in the process of thermally destroying hazardous material in cement kilns. They do not go into POTW systems. Additionally, we reuse about 2/3 of the water that we require to process our goods and the water that goes into our sewer systems is very clean.

I want to point out that our environmentally favorable approach to meeting customer needs for products helps our customers achieve their sustainability objectives. And the products we compete with are generally manufactured enjoying the tax status that we are here seeking.

The alternative to our industrial laundry services is largely disposable products, mostly paper based, that are landfilled after one use. ITU AbsorbTech calculates the quantity of single-use products that are not used and sent to landfills by use of our services. In 2022 that number was over 8,000 tons, and over 8,300 tons in 2023. In 2022, we recovered 410,000 gallons of oil and 135,000 gallons of solvent in our plants. In 2023, the totals were 480,000 gallons of oil and 125,000 gallons of solvent.

Our system takes in raw materials that have no economic value and converts them into a useful product. We use labor, equipment and energy to do so, just like companies that are currently defined as manufacturers. Yet, in the eyes of the state, we are taxed more heavily than companies in SIC or NAICS codes deemed to be manufacturers.

For my company, we estimate the taxes involved to be in excess of \$400,000 per year. If those funds were available to be used internally, we would invest in employing more people and further improving our systems. Our sales and service processes are people-oriented. We have to be "boots on the ground" in businesses to sell, install and service our customers. We have a huge market potential to convert prospective clients using disposables to customers in our re-use programs. The funds provided by SB 845 would assist us in supporting more employees.

I personally am very proud of the relationships we have with our employees. We have a very high tenure rate. I have the honor of going to many anniversary and retirement events for people who have worked for us for decades. We have had the honor of earning the Milwaukee Journal Sentinel Top Workplace Award all four years we participated.

I ask that you support SB 845. Thank you for your consideration.

James M. Leef

January 9, 2024

To: Chair Hutton and Members of the Senate Committee



Good afternoon,

My name is Sara Gunderson, Co-owner of Gunderson Uniform & Linen, a family-owned and operated business based in Menasha, Wisconsin. Today, my brother Doug and I proudly continue the legacy that our grandfather began in 1952. Our passion for laundry and commitment to providing high quality linen and service to businesses across the state of Wisconsin drives our family's business model.

Gunderson Uniform & Linen has been an active part of the community for three generations. We currently employ 150 team members across two plants in Menasha and a distribution depot in New Berlin. We specialize in processing and delivering hygienically clean uniforms and linen to a diverse range of customers, including hospitals, clinics, hotels, restaurants, industrial and manufacturing facilities, as well as other businesses throughout the state.

Today, I stand before you in collaboration with fellow laundry operators in the state and as a representative of WATS. We are asking for your support for Senate Bill 845 which will allow our industry to be recognized by the Manufacturing and Agricultural Tax Credit.

As stakeholders deeply rooted in Wisconsin, we recognize the profound importance of investing in our people, and our state. The proposed tax credits in Senate Bill 845 will provide us with the financial means to reinvest in our workforce, and contribute meaningfully to the economic development of Wisconsin. This, in turn, will not only improve the quality of life for our employees but also have a significant impact and a positive influence on the communities we proudly serve.

Doug and I are excited about the future of our business. We are in growth mode and are actively pursuing the addition of a state of the art, highly energy efficient facility that will require a significant investment, including millions of dollars of highly specialized laundry machines and equipment. The implementation of this addition will allow us to do more of what we love – laundry, as well as promises to generate more employment opportunities within the communities we serve.

In conclusion, I want to say thank you for your time and attention today on a significant matter in the laundry industry. At our most basic meaning, we take unusable goods that would otherwise make their way to a landfill, process them and turn them into usable goods for the good of the community. Our facilities embody the look and feel of a manufacturing setup, placing us in direct competition for skilled and unskilled labor with other manufacturers. The proposed tax credit is pivotal; it offers us the means to elevate wages for our dedicated employees, add higher paying jobs, and, in turn, positively influences the well-being of the communities we call home. Senate Bill 845 will help provide opportunity for Gunderson Uniform & Linen to expand, generate employment, increase current wages and contribute even more to the vibrant fabric of Wisconsin's economy. With confidence, we believe that your support for this bill will forge a lasting and positive impact on our business, our employees, and the communities we proudly serve.

Thank you for your time and consideration.

Sincerely,

Sara Gunderson

Co-owner, Gunderson Uniform & Linen
Representative, WATS Organization



Wisconsin Association of Textile Services

To: Chairman Hutton and the Members of Senate Universities and Revenue Committee

From: Jim Vaudreuil, Owner of Huebsch Services

Re: Support Senate Bill 845

Date: January 17, 2024

Thank you, Committee Chairman Hutton and Members, for your time and consideration.

My name is Jim Vaudreuil and I am the fourth-generation owner of Huebsch Laundry Company, based in Eau Claire since it was founded 132 years ago. We employ 175 people who receive a living wage and full health and retirement benefits. I am also Vice Chair of Wisconsin Association of Textile Services (WATS) and strongly support SB 845.

Huebsch supplies freshly-cleaned work uniforms, entrance mats, towels and a variety of facility services to over 7000 businesses in Wisconsin and Minnesota weekly. Our customers range from huge health care providers like Mayo Clinic to many local small businesses in Northwestern Wisconsin and the Minneapolis-St. Paul metro area.

Our business is in a growth mode. A couple years ago we initiated a construction project to increase capacity, reduce the physical strain on workers, and improve environmental sustainability results. The cost of this expansion is over \$9,000,000. Allowing us to claim the tax benefit of this bill will support this and future investment in Wisconsin.

Thank you for your consideration.

Jim Vaudreuil, Huebsch Services

January 12, 2024

RE: Manufacturing and Agricultural Tax Credit in Wisconsin

I would first like to thank the committee and everyone from taking my testimony via this letter. My name is Jarett Johnsrud and I am the General Manager for Vestis Corporation (formerly Aramark Uniform Services) in La Crosse, WI. I have been involved with WATS for many years and I support this bill.

This would be a great benefit to our operation here in La Crosse, WI. We currently employ around one hundred and seventy-five employees throughout our territory in western and central Wisconsin. We employ a diverse group of teammates from all sorts of backgrounds. A benefit like this will allow reinvestment back into our facilities and my people, to better serve an even more diverse set of customers ranging from local bars, restaurants, and repair shops to farms, food processing facilities, and some of the largest manufacturers in the communities we serve. It can provide more training and other benefits to our teammates, to help them further their lives and careers.

Again thank you for your time.

Regards


Jarett Johnsrud



Wisconsin Association of Textile Services

To: Chairman Hutton and the Members of Senate Committee on Universities and Revenue

From: Adam Szweda, UniFirst Location Manager

Re: Support Senate Bill 845

Date: January 17, 2024

Ladies and Gentlemen of the Committee,

My name is Adam Szweda and I represent UniFirst where I am a Location Manager. I also am a member of Wisconsin Association of Textiles (WATS).

Today, I testify before you to urge your support for SB 845. This bill represents not just an investment in an industry but an investment in our state's commitment to sustainability, our workers, and our community.

Supporting this bill means supporting local jobs. The textile industry provides jobs and economic stability to countless families across Wisconsin. By bolstering this industry, we are directly contributing to the prosperity of constituents and the overall well-being of our state.

It's not just about economics; it's about improving opportunities for our communities. UniFirst is woven into the very fabric of the community we serve. UniFirst is proud to give back to our community in times of need as well as supporting charitable initiatives. By supporting this bill, we demonstrate our commitment to maintaining this proud legacy for future generations.

Furthermore, this bill aligns with our shared goal of sustainability. Our industry has shown a commitment to environmentally responsible practices. By supporting these endeavors, we encourage and incentivize sustainability efforts, which are essential for a greener, cleaner future.

In conclusion, I implore you to support SB 845. By doing so, we invest in our communities, preserve our community impact, and champion sustainability. This bill is not just about textiles; it's about the people, the places, and the principles that make Wisconsin great.

Thank you for your attention and consideration.

Adam Szweda



Wisconsin Association of Textile Services

To: Chairman Hutton and the Members of Senate Universities and Revenue Committee

From: David Jerrett, CEO of Bay Towel, Inc., and Secretary and Treasurer of the Wisconsin Association of Textile Services (WATS).

Re: Support Senate Bill 845

Date: January 17, 2024

Chairman Hutton and the Members of the Committee on Universities and Revenue:

I want to thank you for your considerate time in the evaluation of an important initiative that ensures that our industry receives the appropriate recognition as a manufacturer. We are asking for your help in leveling the economic playing field in terms of tax treatment. This change will allow us to increase our investment in Wisconsin workers and more environmentally sustainable operating equipment. Please allow me to provide a practical example of how this tax relief will benefit our employees and the communities in which live and serve.

We are planning on investing in a large capital equipment project totaling \$4M. The scope of this project includes reengineering our processes for cleaning, sorting, and bundling reusable garments for delivery to our customers. This new equipment will expand operating capacity and reduce energy consumption resulting in an increase in the number of jobs on our shop floor, while lowering our carbon footprint. The total Wisconsin state sales tax on this project will be approximately \$220,000.

If this project was classified for the Wis. Stat. §71.28 Manufacturing Tax Credit under the definition of "manufacturing property," we could apply these tax savings to invest in additional equipment and projects to support future growth and further reduce energy consumption.

In addition to the economic and environmental impacts, social initiatives are another important consideration. We would like to use these funds to address the social component of our triple-bottom-line strategy by bolstering worker pay. Spread equally across our population of hourly shop floor employees, this \$220,000 tax savings equates to a \$1,760 annual increase in wages which is equivalent of an \$.85 hourly rate increase per employee. This represents a 4.7% increase from our starting wage of \$18 per hour for unskilled labor. Increasing employee wages has been a focus in our firm as we attempt to improve the work-life balance and personal financial well-being for team members.

The importance of employee pay rates in our state has been well-documented. We compete for the same production employees as currently-designated "manufacturing" firms which offer substitute products that are mostly disposable in nature. Our additional tax burden puts our industry at a competitive disadvantage in our search for both customers and employees. This sets

up the classic, “no good deed goes unpunished” paradox as we look to increase the use of reusable textiles as substitutes for disposable products that end up in landfills across Wisconsin.

I urge you to vote in favor of Senate Bill 845 to support our vital industry and improve our state's business classification system. Thank you once again for allowing me to present our case at this hearing.

Sincerely,

David Jerrett

David Jerrett

CEO, Bay Towel, Inc.



1710 W. Washington Street
Appleton, WI 54914

To: Chairman Hutton and the Members of Senate Universities and Revenue Committee

From: Scott Burrichter, Vestis General Manager

Re: Support Senate Bill 845

Date: January 17, 2024

I would like to thank the Committee Chair and all the Members for taking our testimony. We appreciate the help and support in this initiative.

My name is Scott Burrichter and I'm the General Manager of Vestis in Appleton, WI. I've been with Vestis (formerly Aramark) now 27 years.

Senate Bill 845 has my full support and I ask that you support it as well. At Vestis, we service the entire North/Central Wisconsin area. The tax relief would be a huge benefit to us locally as we continually are looking to reinvest in our people and in our local economies. I hope you show support for this bill for all in our industry, given the value we place on our local communities and giving back. Thank you for your time and consideration.

Scott Burrichter



DATE

October 2, 2023

RECIPIENT

I would like to thank you Committee Chair and Members for taking our testimony. As an active member of WATS and General Manager of UniFirst Corporation, I'd like to take a moment to show my support for Bill LRB-2679/P1 which adds SIC Codes 7218 (Industrial Launderers and 7213 (Linen Supply) to Qualifying Lists for Manufacturer Tax Credit.

UniFirst's laundering facility is located in Wisconsin Rapids, WI. We employ 121 employees from all backgrounds of society. Out of this facility we service over 1,800 customer sites, with close to 100,000 people wearing our uniforms to work every day across the State of Wisconsin. We support several branch operations in Wisconsin which are in Appleton, Menomonee Falls, and soon to be a third site in Madison, WI, which we are planning to open in February of 2024. Our customer bases include food manufacturing facilities, hospitals, manufacturing facilities, car dealerships, body shops, restaurants, and many more types of business. Our customers rely on our services and products to effectively run their businesses and service their own customers. Without our products and Certified Hygienically clean process, our Food Processing customers are able to confidently wear our uniforms and use our products to ensure they're producing a product that is safe for their customers to buy and consume. Our Manufacturing customers wouldn't be able to operate their machinery safely without the protection of Flame Resistant or Hi Visibility Garments; our hospitals wouldn't be able to keep a clean and well maintained rooms for their patients; and our Restaurants wouldn't be able to keep their dining areas clean and their employees looking professional while servicing their customers. Our services provide our customers with the confidence of being safe, being clean, and having a high morale that allows them to grow their own businesses successfully.

All that said, our industry operates on a very thin margin, so any relief that our companies can get will help us reinvest in our employees, the community, and our own operation. Furthermore, it'll help us continue to focus on minimizing our own carbon footprint through lower energy usage and improved efficiency, provide more and more opportunities for

UniFirst

UNIFIRST CORPORATION
2400 Industrial Street
Wisconsin Rapids, WI 54495
T 715 - 423 - 4640



DATE

RECIPIENT

employees (skilled and unskilled), create, and maintain good paying jobs, and reinvest in new technologies.

Thank you so much for your time today. As you can see, we are truly excited about what we do for our community, our people, and our customers. Our Industry is truly an underappreciated industry, but as you can see our service and products truly are crucial to safe and successful operations of our customers while also providing Wisconsin businesses sustainable alternatives to disposable products (that typically end up in our landfills throughout the state). We look forward to your consideration of this bill and ultimately the benefits this bill will provide to not only our laundering business but the growth for the people of Wisconsin as a whole.

Thank You,

Christopher Gibson
General Manager
UniFirst Corporation

UniFirst

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