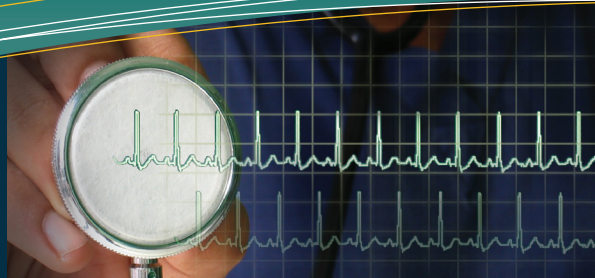


JUNE 2010



## Part III: Federal Tax Law June 2010, Volume 4

### IRS Issues Guidance on the Indoor Tanning Services Excise Tax

Effective July 1, 2010, the Patient Protection and Affordable Care Act of 2010, imposes a new 10% excise tax on indoor tanning services. The new tax does not apply to services by licensed medical professionals who provide phototherapy. Recently issued regulations [<http://edocket.access.gpo.gov/2010/pdf/2010-14398.pdf>] address some of the calculation and collection issues raised by the tax and impose new recordkeeping requirements on tanning bed operators. Pursuant to the new regulations, tanning bed operators are liable for the tax and are required to report and pay-over collected excise taxes quarterly.

A tanning bed operator's obligation to collect and remit tax generally begins when a client pays for indoor tanning services. However, in the case of certain prepayments for services that may or may not include indoor tanning services, such as the purchase of a gift card to a salon with tanning beds, the tanning bed operator generally will not become liable for the tax until a portion of the prepayment is redeemed for indoor tanning services. Additional rules apply to fitness facilities that sell memberships which include access to tanning beds. Tanning bed operators are required to retain records sufficient to determine the amount of the tax due pursuant to these new regulations.

#### Questions or Assistance?

Please contact any member of our Tax Practice Group for specific guidance regarding these new regulations.

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