

Cleanup services on foreclosed properties

When a business contracts to perform cleanup on foreclosed properties for consumers (e.g., for banks, realtors, or investors), they often provide a combination of services for either an agreed-upon lump sum price or an amount to be based on the actual time spent cleaning up the property. These services are considered special cleanup jobs and may include, but are not limited to:

- Securing the site by:
 - Rekeying doors
 - Replacing or boarding up windows
 - Securing other openings
 - Performing winterization services
 - Making safety repairs
- Lawn and yard services, including:
 - Mowing
 - Trimming
 - Sweeping sidewalks and pathways
- Cleaning, including:
 - Personal property and debris removal
 - Wiping down or replacing fixtures
 - Vacuuming
 - Mopping
 - Disinfecting
 - Plastering/drywall repair
 - Painting
 - Pressure washing
 - Roof and gutter cleaning

Businesses performing these types of cleanup services on foreclosed properties are generally making retail sales, and must collect and report retail sales tax. These businesses will also generally be subject to the retailing B&O tax. These cleanup jobs do not qualify for the exclusion for “janitorial services” because the services provided by these businesses are beyond the scope of cleaning and caretaking services ordinarily provided by commercial janitorial businesses.

Limited circumstances under which a wholesale sale may occur

Instead of being hired by the property owner (e.g., bank, realtor, or investor), a business (Business S) performing foreclosure cleanup services may act as a subcontractor to a business (Business C) that was hired by the property owner. In such a situation, Business C hired by the property owner will collect and remit sales tax. Business S acting as a subcontractor would report its income under the *wholesaling* B&O tax classification, but only if it has received a reseller permit from Business C.

Equipment, tools, and supplies

Equipment, tools, and supplies used by businesses during the cleanup of foreclosed properties are subject to retail sales tax when purchased. If retail sales tax was not collected by the seller, the business owes deferred sales tax or use tax on the items purchased. Deferred sales tax and use tax can be reported on the excise tax return.

Financial Business, Property Managers and Real Estate Brokers

If you hire someone to perform the cleanup activities discussed above and that person does not collect sales tax, you would owe use tax on such payments. Use tax is to be reported on your regular excise tax return or on a Consumer Use Tax Return.

Services for properties owned by Fannie Mae and Freddie Mac

Repairing or improving buildings and structures owned by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac).

Contractors constructing, repairing, decorating, or improving buildings or other structures owned by Fannie Mae or Freddie Mac are engaged in government contracting. This is true whether there is a property manager or real estate agent acting on behalf of these agencies in hiring the contractor.

Retail sales tax will not apply on these charges. Instead, the contractor performing this work would report their income under the government contracting B&O tax classification. Government contractors owe sales tax or use tax on any materials attached or incorporated into the buildings or structures. For more information on government contracting, see WAC 458-20-17001 and our Construction Tax Guide.

Charges for retail services such as lawn mowing and trimming, while subject to retailing B&O tax, are exempt from retail sales tax when these services are performed for property owned by Fannie Mae or Freddie Mac. If hired as a subcontractor, sales tax would not need to be collected and the income would be subject to the B&O tax under the wholesaling classification. For more information regarding these types of activities, see WAC 458-20-226 and our Landscapers Guide.

Disposing of refuse

A cleanup contractor that also disposes of the contents of the home or yard of the property pays the solid waste tax to the dumps or transfer station.

A person that only picks up ready to be disposed of trash or refuse (but does not provide any cleaning services) must collect the solid waste tax from the property owner/manager but does not have to pay the solid waste tax to the dumps or transfer station. For further information, see our Solid waste collection/disposal, hazardous waste, and recycling businesses guide.



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