

State Ruling

203-175, Tax Facts-- Sales and use-- Taxability of persons and transactions-- Cleaning and laundry-- Janitorial services; special cleanup activities

¶203-175. Tax Facts, Washington Department of Revenue, June 2010.

Sales and use: Taxability of persons and transactions: Cleaning and laundry: Janitorial services; special cleanup activities.— A Washington Department of Revenue newsletter addresses the treatment of "janitorial services" and "special cleanup activities" for sales and use tax and business and occupation (B&O) tax purposes. Janitorial services include activities that are regularly performed by commercial janitorial businesses, such as washing of windows, trash disposal, and floor cleaning. Businesses that perform janitorial services are subject to the service and other activities classification of the B&O tax. Sales tax does not apply to these charges. Special cleanup jobs include activities that fall outside the scope of general janitorial services, such as septic tank cleaning, sandblasting, and cleaning of industrial machinery. Income from special cleanup services is subject to retailing B&O tax, and sales tax must be collected from customers.

Business and occupation: Specific businesses: Janitorial services: Janitorial services; special cleanup activities.— A Washington Department of Revenue newsletter addresses the treatment of "janitorial services" and "special cleanup activities" for sales and use tax and business and occupation (B&O) tax purposes. Janitorial services include activities that are regularly performed by commercial janitorial businesses, such as washing of windows, trash disposal, and floor cleaning. Businesses that perform janitorial services are subject to the service and other activities classification of the B&O tax. Sales tax does not apply to these charges. Special cleanup jobs include activities that fall outside the scope of general janitorial services, such as septic tank cleaning, sandblasting, and cleaning of industrial machinery. Income from special cleanup services is subject to retailing B&O tax, and sales tax must be collected from customers.

Washington State Department of Revenue

Tax Facts

Welcome to the online version of Tax Facts

This twice-yearly publication summarizes changes to tax laws administered by the Department of Revenue. By making this document available online, we are able to provide more information than was possible in the paper version.

Find articles of interest

We invite you to scroll through the pages, or click on the title in the Table of Contents to move directly to an article of interest. Click the Revenue icon in the top left corner to return to the contents page. Additional links within the articles will take you to our website where you can find more information on the topic.

Keep a copy for your files

This new format allows you to print the whole document or just print the pages with information related to your business. If you are going paperless, just download this document to your computer.

Stay informed

Tax Facts is published each June and December. Back issues of Tax Facts are available on our website.

Tax updates

Taxability of IT consumer services

The Department recently created a Quick Reference Chart to help business and consumers understand how sales of information technology (IT) services and goods are taxable in Washington State. Some IT businesses sell tangible goods and offer different services to their customers. The law determines what activities are taxable as professional services (not subject to retail sales or use tax) and what activities are taxable as retail services or sales (subject to retail sales or use tax). The chart provides some general information on the taxability of common computer related activities. For further information on the taxability of IT services, reference WAC 458-20-15501.

Federal 10% excise tax on indoor tanning services

The Internal Revenue Service issued regulations outlining the administration of a 10 percent excise tax on indoor tanning services that goes into effect on July 1, 2010. The regulations were published in the Federal Register. For more information, visit www.IRS.GOV.

In general, providers of indoor tanning services will collect the tax at the time the purchaser pays for the tanning services. The provider then pays these amounts to the government, along with IRS Form 720, Quarterly Federal Excise Tax Return.

Exemptions

The tax does not apply to phototherapy services performed by a licensed medical professional on his or her premises. The regulations also provide an exception for certain physical fitness facilities that offer tanning as an incidental service to members without a separately identifiable fee.

Washington's Retail Sales Tax

Since the tax is on the consumer, and not the business, Washington's retail sales tax does not apply to this charge. The income is also deductible from the amount of B&O tax reported, when the income is included in the gross amount reported for B&O tax purposes.

Department of Revenue (DOR) moves processing of electronic payments to the office of the State Treasurer

On May 18, 2010, the Department of Revenue began processing its Electronic Funds Transfer payments through the Office of the State Treasurer (OST). By moving processing from U.S Bank to the OST, DOR will save an estimated \$100,000 annually in third party processing fees. In addition, funds will be deposited into the state's bank one day earlier which allows the state to invest revenues received sooner. The transition to OST is expected to be complete by June 30, 2010. It is estimated that the volume of electronic payments handled by the OST for DOR will total \$11 billion annually.

Digital goods legislation brings clarity

The Department updated its Digital Goods Q&A to reflect recent legislative changes taking effect July 1, 2010, as a result of SHB 2620. To review these updates visit our Q&A at: <http://dor.wa.gov/DigitalProducts>.

Janitorial services versus special clean-up activities

It is important to know when you are performing general janitorial services or if you've entered into a contract to provide special clean-up activities because the income earned from providing these services is taxed differently.

The term "janitorial services" *includes* activities performed regularly and normally by commercial janitorial service businesses. Generally, these activities include the washing of interior and

exterior window surfaces, floor cleaning and waxing, the cleaning of interior walls and woodwork, the cleaning in place of rugs, drapes and upholstery, dusting, disposal of trash, and cleaning and sanitizing bathroom fixtures.

Businesses engaged in providing janitorial services report their income under the service and other activities business and occupation (B&O) tax classification. Retail sales tax does not apply to these charges.

The term "janitorial services" *does not include* special clean up jobs that require activities outside the realm of general janitorial services. These "special clean-up" activities include cleaning the exterior walls of buildings, the cleaning of septic tanks, special clean up jobs required by construction, fires, floods, foreclosures, etc., painting, papering, repairing, furnace or chimney cleaning, snow removal, sandblasting, or the cleaning of plant or industrial machinery or fixtures.

The income earned from providing "special clean-up" is subject to the retailing classification of the B&O tax and the retail sales tax must be collected from customers.

For more information, see Washington Administrative Code (WAC) 458-20-172.

New laws, rules and notices

2010 Tax legislation

The 2010 Legislature made more than 70 changes to tax law that the Department is now implementing. Among them is an increase in the business and occupation tax, higher cigarette taxes, a carbonated beverages tax, and the extension of sales tax to bottled water and candy. The Department also is developing procedures for enforcing new minimum nexus standards mainly affecting out-of-state service providers who will now owe B&O taxes on income earned from providing services to Washington customers. The Legislature also granted the Department the authority to disallow certain abusive tax avoidance schemes and strengthened its ability to identify unregistered businesses operating as part of the underground economy. The Department has been busy getting the word out to all affected taxpayers. For the most up-to-date news, see our website, <http://dor.wa.gov>. For a complete list of rule actions, visit <http://dor.wa.gov/content/FindALawOrRule/RuleMaking/Actions.aspx>.

Rule making

Resulting from 2010 legislation

Below is a listing of the Department of Revenue's recent tax rule adoptions and repeals. For specific information on the rule changes, to obtain a copy of a newly adopted rule, or for more information regarding how these rules may affect you, go to dor.wa.gov and click on *Find a rule or law*, then under *Rule making* click *the Adoptions and repeals* bullet.

Questions? Call our Telephone Information Center at 1-800-647-7706.

Excise tax rules (WACs) adopted or amended:

458-20-19401 Minimum nexus thresholds for apportionable activities. *Effective June 2, 2010.*

458-20-19402 Single factor receipts apportionment-Generally. *Effective June 2, 2010.*

458-20-19403 Single factor receipts apportionment-Royalties. *Effective June 2, 2010.*

458-20-19404 Financial institutions-Income apportionment. *Effective June 2, 2010.*

458-20-194 Doing business inside and outside the state. *Effective June 2, 2010.*

458-20-14601 Financial institutions-Income apportionment. *Effective June 2, 2010.*

Changes to interpretive/policy statements

We issue interpretive and policy statements, such as Excise Tax Advisories (ETAs) to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued or

cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

Excise tax advisories (ETAs) adopted:

3066 Purchase of Personalty for Resale as Realty. *Issued date June 3, 2010.*

3069 Use Tax on Property Acquired by Inheritance. *Issued date June 3, 2010.*

Special notices

The following Special Notices were issued in the last month. These notices discuss current issues as well as changes resulting from new legislation. They are available online at dor.wa.gov under *Get a form or publication*. You may also call 1-800-647-7706 to have a copy sent to you.

Agricultural

Livestock Nutrient Management Equipment Sales Tax Exemption Suspended -*Issued June 10, 2010*

Carbonated Beverages

Bottlers and Distributors Subject to Temporary Carbonated Beverage Tax - *Issued June 14, 2010*

Retailers Subject to Temporary Carbonated Beverage Tax - *Issued June 11, 2010*

Director Fees

Director Fees are Subject to the Business and Occupation (B&O) Tax -*Issued June 22, 2010*

Economic Nexus

New "Economic Nexus" in Washington State May Impact Businesses Receiving Royalty/Licensing Income from Patents - *Issued June 30, 2010*

Financial Businesses

Limits on Interest Deduction for First Mortgages - *Issued June 2, 2010*

Food and Food Ingredients

Perishable Meat Products & Fruit or Vegetable Products Changes to the B&O Tax Preferences - *Issued June 3, 2010*

Property Taxes

Land Containing Historical Sites Classified as Open Space Land - *Issued June 8, 2010*

Use Tax

Legislative Change to Use Tax - Issued June 4, 2010

Investment Casting

Sales Tax Exemptions for the Investment Casting Process - *Issued June 15, 2010*

Washington tax decisions

For specific information on recently issued Washington Tax Decisions (WTDs), or for more information regarding how these decisions may affect you, go to dor.wa.gov, click on *Find a rule or law*, then click on a link under the heading Washington Tax Decisions (WTDs).

Filing your tax return

Tax return tips

If you have been assigned a reporting frequency, you must file a tax return even if you had no business activity and owe no taxes.

If you are an active nonreporting business and had business activity grossing over \$28K or were required to collect sales tax you must file a return.

Completing and filing your return online

E-file, the Department's online filing tool, is even easier now. Tutorials posted on the most commonly used pages provide filers with a step-by-step guide on how to complete the return. The tutorial also illustrates how you can customize your online return to show only the fields you need.

E-file offers automatic error checking and immediate delivery with a confirmation number. E-file also automatically calculates the small business, B&O tax credit.

To use E-file, go to our website at dor.wa.gov and click *File my taxes online*.

Completing and filing a paper return

Use the paper return we mailed to you or download a return from our website. Use black ink when completing the return. If you are mailing a check with your return, the payment must be received by the Department by the return due date or penalties and interest may apply.

All monthly filers are required to file and pay electronically.

Local sales/use tax changes

To find a location code and tax rate, see the Local Sales and Use Tax Rates and Changes Flyer included with your tax return or find it on our website. Select *Find taxes and rates* from our home page, then select *List of sales and use tax rates*.

You can also find the correct tax rate and location code using our online *Tax rate lookup tool*.

Small business B&O tax credit

Don't forget to check if you qualify to take the Small Business B&O Tax Credit. Instructions and a chart to calculate the credit are included with your tax return (E-file does this automatically).

Calculate the litter tax

Retailers, wholesalers, and manufacturers of certain products owe litter tax on the value of the product or the gross proceeds from the sales of these products. (WAC 458-20-243)

Need help? Call for assistance at 1-800-647-7706

E-file is even easier with our online tutorials

If you have yet to discover the advantages of filing online, now's the time. The Department recently added page-specific tutorials to E-file that will help the novice filer complete and submit a tax return with confidence.

The tutorials address the most common questions new filers have. They also teach you how to customize your return so it shows only the fields you have to complete. To view the tutorial, just click the Tutorial icon near the upper right corner of the E-file page.

There are many advantages to filing electronically. E-file offers an automatic review to check for errors or missing information. It also offers guaranteed delivery and a confirmation code - no more last minute dashes to the Post Office. Also, when you file online, your return is stored for you in your account. You have 24/7 access to electronically filed returns.

To access E-file, go to our website at dor.wa.gov and click on *File my taxes online* (E-file). If you don't have an online account with us, click on *Register now* and follow the prompts.

Check out E-file

Find out how flexible online filing can be.

E-file is fast, secure and simple to use. It also allows you to file your return early and, with electronic funds transfer, schedule your payment for the due date.

Website: dor.wa.gov

1-877-345-3353

Tools and resources

Plan for and pay your taxes video (English and Spanish)

To help new businesses understand their tax reporting responsibilities, an online video called *Plan for and pay your taxes* was created. This project was a joint effort sponsored by the departments of Revenue, Labor and Industries, and Employment Security.

The video provides basic information that includes:

Which taxes do I have to pay?

What rate will I pay?

How often - and when - must I file?

How do I file and pay?

For businesses looking for more information, there are links and contact numbers at the end of the video. The video is available on our website - in English at dor.wa.gov and in Spanish at dor.wa.gov/espanol/.

Update your business information

With the upcoming legislative session, there may be changes that affect your business. The Department works hard to notify businesses when these changes occur, but we can't reach you if we don't have your current contact information.

If you have an online account with the Department, we request that you log on, select *Manage business account* and choose *Update business information*. If you don't have an online account, you can update your information by calling 1-800-647-7706.

Stay informed. Join our distribution lists

If you have an interest in a particular issue, chances are there is an email distribution list that will provide you with the most recent updates. Distribution lists can also provide you with filing reminders, changes to excise tax rates, news releases and many other topics. Just choose the information or service you're interested in and join the list.

To sign up for one of our distribution lists, go to our website at dor.wa.gov and click on *Doing business*. Under *My account*, click on *More services*, then click on *Email notifications* and follow the directions.

Free tax workshops

We offer workshops free of charge throughout the state. To view the schedule or for more information, visit our website at dor.wa.gov, click on *Workshops and education* from the left side menu. Once you find the workshop that's right for you, register online or call us to sign up.

Contact information

Bellingham	Spokane
(360) 594-4840	(509) 327-0200
Everett	Tacoma

(425) 356-4800	(253) 382-2000
Kent	Olympia
(253) 437-3440	(800) 647-7706
Port Angeles	Vancouver
(360) 417-9900	(360) 256-2060
Richland	Wenatchee
(509) 734-7526	(509) 663-9714
Seattle	Yakima
(206) 727-5300	(509) 454-5160

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Teletype (TTY) users please call 1-800-451-7985.