
NEWS BULLETIN



May 31, 2006

EXCISE TAX Repealed on Long Distance Service Local-only service remains taxable

As a result of losing many court cases, the Internal Revenue Service will stop collecting the telephone excise tax on long distance calls. Amounts paid for time-only long distance service is no longer a taxable toll telephone service. Long distance billing based on time and distance will remain taxable.

Telecommunications companies are to cease collecting and remitting the excise tax on nontaxable service that is billed after July 31, 2006.

Further guidance is expected on the tax treatment of bundled services.

HOW DO CUSTOMERS GET PREVIOUSLY PAID EXCISE TAX BACK?

Telecommunications companies may repay taxpayers the tax on nontaxable service that was billed after February 28, 2003 and before August 1, 2006, but are not required to do so.

Individuals – On the 2006 Form 1040, 1040A or 1040-EZ, Individual Income Tax Return, the taxpayer will be able to request a credit for federal excise taxes paid on nontaxable service. The taxpayer can either determine the actual amount (required to substantiate the amount with documentation) or they will be able to use tables that the IRS will be providing. Persons not required to file federal income tax returns will file a new form, Form 1040EZ-T, to request their payment.

Business Entities – On the 2006 tax return (1120, 1120S, 1065, 1041, 990-T) the business entity will be able to claim actual excise paid on nontaxable services.

To determine the actual amount, the billings after February 28, 2003 and before August 1, 2006 are to be used.

If you have questions please contact Cheryl Ellefson at (651) 486-4576.

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