
NEWS BULLETIN



July 24, 2006

Excise Tax Repealed on Long Distance Service – Update

As a result of losing many court cases, the Internal Revenue Service will stop collecting the telephone excise tax on long distance calls and even local service when it is bundled in a specific plan that includes long distance and does not separately state the local service charge on the bill.

The IRS provides the following definitions:

Long Distance Service – telephonic quality communication with persons whose telephones are outside the local telephone system of the caller.

Local-only Service – local telephone service provided under a plan that does not include long distance telephone service or that separately states the charge for local service on the customer's bill. The term includes services (call waiting, caller ID, etc.) and facilities (amplifier, special telephone, automatic call distributing equipment) provided in connection with separately stated local service even though they may also be used with long distance service.

Bundled Service – a plan that provides both local and long distance service for either a flat monthly fee or for charges that vary with the elapsed transmission time. The charge for local telephone service is NOT separately stated on the bill.

Nontaxable Service – bundled service and long distance service.

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

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