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U.S. Government To Refund Call Centers Tax

Yes it's true; the U.S. Treasury Department has abolished a tax law that will likely result in multimillion-dollar refunds for business users. The abolished tax is the federal excise tax of 3% on all long-distance calls. The tax was originally implemented in 1898 as a luxury tax on wealthy Americans who owned telephones.

According to the Treasury Department, the IRS will issue refunds to consumers and business customers for taxes paid over the past three years in their 2006 filings. In a press release issued earlier this year, Treasury Secretary John Snow stated, "Today is a good day for American taxpayers; it marks the beginning of the end of an outdated, antiquated tax that has survived a century beyond its original purpose, and by now should have been ancient history."

Key facts regarding the tax refund:

- No immediate action is required by taxpayers.
- Refunds will be a part of 2006 tax returns filed in 2007.
- Refund claims will cover all excise tax paid on long-distance service over the last three years (time allowed given statute of limitations). Interest will be paid on refunds.
- The IRS is working on a simplified method for individuals to use to claim a refund on their 2006 tax returns.
- Refunds will not include tax paid on local telephone service, which was not involved in the litigation.
- Originally established in 1898 as a "luxury" tax on wealthy Americans who owned telephones, the federal excise tax on telephone calls is not compatible with today's modern information-age society.

Businesses are not required to dig through all of their old phone records to calculate their telephone tax refund. The IRS has developed a formula that most businesses and tax-exempt organizations can use to determine their refund. To use the formula, eligible taxpayers will need to review their phone bills for 2 months, instead of all bills included in the refund period. Additionally, businesses will need to know their total telephone expenses for the period and the number of employees reported on their federal withholding tax return (Form 941) for the second quarter of 2006 in order to use the formula.

For additional information, please visit the IRS website at:
<http://www.irs.gov/newsroom/article/0,,id=164310,00.html>