

Telecommunications Sales Tax Rates and Taxability

Welcome to the Telecommunications Database

This bulletin provides important information about the May 2024 release of Telecommunications Rates and Taxability. Please review this bulletin carefully. If you have any questions or require more information, please call 1-800-739-9998. You can also submit a ticket at <http://support.cch.com/ticket> or use <http://support.cch.com/chat/salestax>.

New Group & Item Codes Added to the Database - Effective May 2024

Addition of Group 5053 to Capture the Taxability of Text Messaging

Prior to this month's release, our database featured a single Group & Item code to capture the taxability of charges for Text Messaging Services (i.e., Product Group Product Item code 5037/007). Such Item reflected the taxability of Text Messaging charges regardless of the jurisdictional nature of the end-to-end nature of such text messages (i.e., Intrastate, Interstate or International).

However, pursuant to research recently conducted by our tax team, it is now our fresh understanding that the taxability of charges for Text Messaging Services actually varies depending upon the jurisdictional nature of the end-to-end nature of such text messages.

Accordingly, as an enhancement to our database, we are hereby adding a brand-new dedicated Group known as "Text Messaging" which shall feature a set of three Items to capture the taxability of Text Messaging measured on a geographic level. This enhancement will thus provide our telecommunication carrier database users with a more granular set of mapping options related to the sale of text messaging.

The Mapping Guide we have established for this brand-new dedicated Group shall be presented as follows:

<i>Group # and Group Description</i>
5053 – TEXT MESSAGING
Text Messaging is a service that allows users to receive, retrieve, edit, and forward non-voice electronic messages. This dedicated Group is designed to cover charges for a text messaging service that is <u>either</u> sold as (A) a stand-alone product OR (B) as a component package of a monthly recurring mobile telecommunication plan OR (C) on a pure "text-by-text" usage basis.
NOTE #1: As per an official ruling issued by the FCC in 2018 captioned "In the Matter of Petitions for Declaratory Ruling on Regulatory Status of Wireless Messaging Service" (Release Number FCC 18-178) [2018 FCC LEXIS 3443], text messaging is classified as an "information service" rather than a "telecommunication service" under the 1996 Federal Communications Act and therefore excluded from contribution liability arising from the various Federal Universal Service Funds.
NOTE #2: Two common forms of text messaging sold on the market are: (1) Short Message Service (SMS) and (2) Multimedia Messaging Service (MMS).

Item #	Item Name	Explanation
001	TEXT MESSAGING - UNDETERMINED	Charge to send text messages between end-users of a mobile telecommunication service whereby the endpoints of those messages cannot readily be determined as either jurisdictionally Intrastate or Interstate/International in nature.
002	TEXT MESSAGING - INTRASTATE	Charge to send text messages between end-users of a mobile telecommunication service whereby the endpoints of those messages are jurisdictionally Intrastate in nature.
003	TEXT MESSAGING – INTERSTATE / INTERNATIONAL	Charge to send text messages between end-users of a mobile telecommunication service that fit into one of two different scenarios: (A) the jurisdictional endpoints of those messages are located in two different states OR (B) one jurisdictional endpoint is located in the U.S. and the other jurisdictional endpoint is located in a foreign country.

Updates to Current Telecommunications Database - Taxability Changes Effective May 2024

Change to the Taxability Status of Mobile Telecommunications Service for Purposes of the Wheat Ridge, Colorado Local Business & Occupation Tax

Among the taxes covered in our database is the Wheat Ridge, Colorado Local Business & Occupation Tax (as captured by Tax Type 31/80).

Prior to this month’s release, our database reflected that this tax was not imposed upon access lines sold to a Mobile Telecommunications Service user on a monthly basis. However, pursuant to enacted local legislation¹, such Mobile Telecommunications Service access lines are now explicitly subject to taxation.

As amended by Ordinance Number 1776, the governing provision of the city’s Municipal Code that establishes this tax recites as follows:

“Each **basic local exchange service provider** who provides **basic local exchange service** within the city shall pay a per line tax as described below:

The per-line tax which is imposed and shall be paid by each **basic local exchange service provider** as of January 1, 2024 is: \$3.55 per month.”²

As amended by Ordinance Number 1776, the definition of the term “basic local exchange service” now contains the following provision:

“The provision of **cellular** or **mobile radio telephone service** to any resident, business or other entity shall be deemed **basic local exchange service** for the purpose of determining the applicability of this business and occupation tax.”³

Based upon this recently enacted provision, we are hereby modifying our database effective with this month’s release to reflect that Mobile Telecommunications Service access lines as captured by the following Group & Item codes are now explicitly subject to the Wheat Ridge, Colorado Local Business & Occupation Tax (as captured by Tax Type 31/80):

- Group 5006 (Cellular Service); Items 001 & 011

¹ Wheat Ridge, Colorado Ordinance Number 1776 [enacted September 25, 2023].

² Wheat Ridge, Colorado Municipal Code § 22-123(1)c.

³ Wheat Ridge, Colorado Municipal Code § 22-121.

- Group 5025 (Cellular Monthly Service); Items 001 & 017

Updates to Current Telecommunications Database - System Changes Effective May 2024

Reconfiguration of the Tucker County, West Virginia 911 Surcharge

Among the taxes covered in our database is the Tucker County, West Virginia 911 Surcharge. Prior to this month's release, our database reflected that this surcharge was imposed upon both residential and commercial customers at a uniform rate of \$2.25 per month (as captured by Tax Type 33/00). In its original form, this surcharge was derived from a local ordinance which recited as follows:

"The imposition, pursuant to section 7-1-3-cc of the West Virginia Code, of a fee of \$1.50 per month per **local exchange service line** or line equivalent, except for Tel-Assistance lines, is proposed to finance the projected costs of the enhanced emergency telephone system.

Such fee is proposed to become effective beginning on June 1, 2002."⁴

However, pursuant to legislative action adopted by Tucker County, this same 911 resolution has been amended to read as follows:

"The imposition, pursuant to section three-cc, article one, chapter seven {7-1-3-cc} of the West Virginia Code, of a fee of \$2.25 per line per month for residential land line customers and \$3.00 per line per month for business class land line customers, except for Tel-Assistance lines. These fees are to finance the projected costs of the enhanced emergency telephone system and the equipment required to maintain the Tucker County E-911 Center."⁵

In addition, a new section has been added to the same 911 resolution which recites as follows:

"To equalize the rate charged to **PBX, Centrex**, and similar systems a fee will be charged at the rate of \$8.00 per line per month for the first 8 business lines and at a rate of \$1.00 per month for all **additional lines**."⁶

Accordingly, effective with this month's release, we are hereby reconfiguring the Tucker County, West Virginia 911 Surcharge by replacing the existing uniform rate record of \$2.25 per month, applicable to both residential and commercial customers (as previously captured by Tax Type **33/00**) with separate rate records for residential versus commercial customers as follows:

RESIDENTIAL CUSTOMERS = \$2.25 per month (captured by Tax Type 33/04)

COMMERCIAL CUSTOMERS = \$3.00 per month (captured by Tax Type 33/03)

CENTREX LINES - TIERED RATE (captured by Tax Type 33/35)

- **TIER #1:** Access Lines # 1-8 = \$8.00 PER LINE
- **TIER #2:** Access Lines # 9 AND ABOVE = \$1.00 PER LINE

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⁴ Tucker County Enhanced 911 Ordinance; Section 6(a).

⁵ Tucker County Enhanced 911 Ordinance; Section 6(a) [as amended].

⁶ Tucker County Enhanced 911 Ordinance; Section 6(b) [as amended].

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