

Telecommunications Sales Tax Rates and Taxability

Welcome to the Telecommunications Database

This bulletin provides important information about the November 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>.

Updates to Current Telecommunications Database – Taxability Changes Effective November 2024

Changes to the Taxability Status of Text Messaging Services for Purposes of the Nebraska Universal Service Fund

Among the taxes in our database is the Nebraska Universal Service Fund Surcharge (as alternatively captured by Tax Type 26/03).

Prior to this month's release, our database reflected that this surcharge was imposed upon charges for text messaging service as dually captured by Item 007 in Group 5037 (Wireless Enhanced Service) and Items 001 & 002 in Group 5053 (Text Messaging) at the inverse safe harbor rate for Intrastate cellular service.

However, pursuant to a quality assurance review of governing legal sources, it is now our fresh understanding that such charges are actually excluded from the revenue base of the Nebraska Universal Service Fund.

This non-taxable status has since been confirmed by a high-ranking staff member with the Nebraska Public Service Commission responsible for administering the Nebraska Universal Service Fund.

To quote that official response:

"I checked with the NUSF attorney that is very familiar with the changes in Nebraska's remittance methodology over the last 20 years.

She verified that post-paid wireless over-usage in either messaging, Gigs, etc. would not be independently assessed.

On these, the connection-base remittance assessment of \$1.75 per line, would be the only NUSF assessment."¹

Based upon this authoritative advice, we are hereby updating our database effective with this month's release to reflect that charges for text messaging service as captured by Item 007 in Group 5037 (Wireless Enhanced Service) and Items 001 & 002 in Group 5053 (Text Messaging) are excluded from the revenue base of the Nebraska Universal Service Fund (as previously captured by the inverse safe harbor rate for Intrastate cellular service).

Updates to Current Telecommunications Database - System Changes Effective November 2024

Rate Increase for the Chicago, Illinois Prepaid Wireless 911 Surcharge

¹ Email response from Brandy Zierott – Nebraska Public Service Commission dated October 9, 2024.

Among the taxes in our database is the Illinois Prepaid Wireless 911 Surcharge (as captured by Tax Type 06/TS).

As reported in the September month-end Release Notes, our database was updated to reflect that the surcharge rate imposed upon retail transactions associated with the sale of prepaid wireless phone service sourced to locations inside the City of Chicago was temporarily reduced to zero, effective August 5, 2024. However, based upon legislative action taken by the Illinois Legislature, the surcharge rate for these same transactions sourced to the city of Chicago shall now be increased to 9%, effective November 1, 2024.

To quote a bulletin published by the Illinois Department of Revenue announcing this rate change:

“Effective **November 1, 2024**, the Prepaid Wireless E911 Surcharge rate imposed in the city of Chicago on sales of prepaid wireless telecommunications service will increase from **zero percent** (.00) to **9 percent** (.09). This rate change is a result of an amendment to the Prepaid Wireless 9-1-1 Surcharge Act (50 ILCS 753/15) to reestablish Chicago’s authority to impose a nine-percent Prepaid Wireless E911 Surcharge rate for Chicago transactions. See Public Act 103-781.

You must adjust your cash register and any computer program so that, effective November 1, 2024, you will collect and pay the correct surcharge. If you use software to electronically file or create your forms, you need to ensure that the E911 surcharge rates are correct in your software. Please contact your software provider for software-related questions.

Why does the Prepaid Wireless E911 Surcharge rate change for Chicago take effect after the effective date shown in the Prepaid Wireless 9-1-1 Surcharge Act?

As noted above, P.A. 103-781 amended the Prepaid Wireless 9-1-1 Surcharge Act to reestablish Chicago’s authority to impose a nine-percent Chicago E911 surcharge rate. 50 ILCS 753/15(a-5). The Act provides, however, that any change in the rate of the Chicago-imposed surcharge shall take effect on the first day of the first calendar month to occur at least 60 days after the enactment of the change. P.A. 103-781 was signed into law on August 5, 2024, so the nine-percent rate takes effect on November 1, 2024.

What is the Prepaid Wireless E911 Surcharge?

The Prepaid Wireless E911 Surcharge is a charge imposed on the consumer, to be collected by the seller, when a retail transaction takes place that includes prepaid wireless telecommunications service.

How do I report sales subject to different surcharge rates?

If you have receipts from sales of prepaid wireless telecommunications service subject to both the new, November 1st surcharge rate in Chicago and the Chicago surcharge rate in effect prior to November 1st (e.g., quarterly or annual filers of Form ST-1), you must report any sales at the prior rate using Line 3a of Schedule B on Form ST-1. Sales at the surcharge rate in effect November 1st are reported on Line 2a of Schedule B.

Note: *Only* use Line 3a of Schedule B when you need to report sales subject to a surcharge rate that is different than the rate in effect at the time you file your return. We do *not* permit use of Line 3a for any other purpose.”²

Based upon the contents of this informational bulletin, we are hereby updating our database effective with this month’s release to reflect that the surcharge rate for the Illinois Prepaid Wireless 911 Surcharge (as captured by Tax Type 06/TS) imposed upon retail transactions associated with the sale of prepaid wireless phone service sourced to locations inside the City of Chicago shall now be increased to 9%, effective November 1, 2024.

Please note that in addition to this rate change, we are also modifying our database by changing the reporting authority code for the Illinois Prepaid Wireless 911 Surcharge from “State of Illinois” to “Illinois Department of Revenue”.

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² Illinois Department of Revenue Informational Bulletin FY 2025-05 [published September 2024].

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