

Telecommunications Sales Tax Rates and Taxability

Welcome to the Telecommunications Database

This bulletin provides important information about the October 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 Taxes Added to the Database Effective October 2024

Maryland State 988 Fee

Pursuant to enacted legislation,¹ effective October, 2024, a new state **988** fee will be imposed in the state of Maryland. This surcharge will be imposed at the rate of 25 cents per month on each landline, wireless, and VOIP access line, as captured by Tax Type, Tax Cat 70/80.

To quote the codified statutory provisions that establish this surcharge:

“Except as provided in paragraph (2) of this subsection, each subscriber to switched local exchange access service, CMRS, or other **9-8-8-accessible service** shall pay a 9-8-8 fee.”²

“The 9-8-8 fee is 25 cents per month payable when the bill for the switched local exchange access service, CMRS, or other 9-8-8-accessible service is due.”³

In turn, the term “9-8-8-accessible service” is defined as follows:

““9-8-8-accessible service” means telephone service or another communications service that connects an individual dialing the digits 9-8-8 to the 988 Suicide and Crisis Lifeline.”⁴

As per the same codified statute:

“A subscriber who is enrolled in the Lifeline program may not be required to pay a 9-8-8 fee.”⁵

Based upon these statutory provisions, we are hereby updating our database effective with this month’s release to reflect that a new state **988** fee will be imposed upon each landline, wireless, and VOIP access line in the state of Maryland (as captured by Tax Type, Tax Cat 70/80) at the rate of 25 cents per month with the exception of Lifeline customers (as captured by Customer Type ‘09’).

¹ Maryland House Bill 933 (2024).

² Maryland Health-General Code § 7.5-5A-03.1[c][1].

³ Maryland Health-General Code § 7.5-5A-03.1[d][1].

⁴ Maryland Health-General Code § 7.5-5A-03.1[a][2].

⁵ Maryland Health-General Code § 7.5-5A-03.1[c][2].

Updates to Current Telecommunications Database - System Changes Effective October 2024

Reconfiguration of Louisiana Sales & Use Tax for Purposes of the Taxability of Prepaid Phone Service

Among the taxes in our database is Louisiana Sales & Use Tax (as captured on the state-level by Tax Types 01 & U1).

Prior to this month's release, our database reflected that charges for prepaid phone service were subject to Louisiana Sales & Use Tax as a form of telecommunications service (as captured by Tax Types 01/80 & U1/80). However, pursuant to a quality assurance review of governing legislative sources, it is now our fresh understanding that such charges are actually subject to tax as a form of tangible personal property (as captured by Tax Types 01/01 & U1/01).

To quote the sequence of provisions which establish this rule:

"There is hereby levied a tax upon the sale at retail, the use, the consumption, the distribution, and the storage for use or consumption in this state, of each item or article of **tangible personal property**, as defined herein, the levy of said tax to be as follows:

At the rate of 2% of the sales price of each item or article of **tangible personal property** when sold at retail in this state; the tax to be computed on gross sales for the purpose of remitting the amount of tax due the state, and to include each and every retail sale."⁶

Meanwhile, as per a separate statutory provision:

"Notwithstanding any provision of law to the contrary and solely for purposes of state sales and use tax, any sale of a **prepaid calling service** or **prepaid wireless calling service**, or both, shall be deemed to be the sale of **tangible personal property**."⁷

Based upon this rule, we are hereby reconfiguring our database, effective with this month's release to reflect that charges for prepaid phone service (as captured by the following set of Group & Item codes) are subject to Louisiana Sales & Use Tax as a form of tangible personal property (as captured by Tax Types 01/01 & U1/01) rather than as a form of telecommunications service (as captured by Tax Types 01/80 & U1/80):

- Group 5017 (Wireline Prepaid Service) / Items 001-003 & 008-010
- Group 5018 (Cellular Prepaid Service) / Items 001-003 & 008-010
- Group 5036 (Cellular Prepaid – Retail) / Items 001-003
- Group 5040 (Wireline Prepaid – Retail) / Items 001-005
- Group 5043 (Prepaid Wireless Retailer) / Items 001 & 002
- Group 5052 (Prepaid Wireless Service) / Items 001 & 002

⁶ Louisiana Revised Statutes § 47:302.A(1).

⁷ Louisiana Revised Statutes § 47:301(16)(d)(i).

Texas Local Sales & Use Tax: Two Additional Local Jurisdictions Now Tax Telecommunications Service

Effective October 1, 2024, the following additional local jurisdictions in Texas will now impose their local option sales & use tax on telecommunication services⁸:

- City of Shavano Park - captured by Tax Type, Tax Cat 04/80 & U4/80
- City of Terrell Hills - captured by Tax Type, Tax Cat 04/80 & U4/80

Reconfiguration of Hawaii Consumers' Use Tax

Among the taxes in our database is the Hawaii Consumers' Use Tax on the state and county level which serves as the Use Tax counterpart to the Hawaii General Excise Tax to capture a scenario by which such General Excise Tax is not remitted to the Hawaii Department of Taxation for various technical reasons and is therefore required to be self-remitted by individual consumer or corporate taxpayers.

Prior to this month's release, our database captured the Hawaii Consumers' Use Tax by a single Tax Type & Tax Cat combination for each level of taxation – i.e., Tax Type / Tax Cat **U1/01** on the state level and Tax Type / Tax Cat **U2/01** on the county level whereby Tax Cat '01' represents the sale of General Merchandise – otherwise known as the Retailing classification.

Please note that pursuant to a major enhancement to our database, we announced last month that we were reconfiguring the sales tax variation of the Hawaii General Excise Tax by adding a third Tax Type & Tax Cat combination on both the state and county level to reflect the imposition of such tax upon the gross income earned by businesses engaged in the provision of retail services.

As a result of this reconfiguration, our database now captures the sales tax variation of the Hawaii General Excise Tax through the following set of Tax Type & Tax Cat combinations:

STATE LEVEL

- Tax Type / Tax Cat **01/01** = General Merchandise
- Tax Type / Tax Cat **01/80** = Telecommunications
- Tax Type / Tax Cat **01/RS** = Retail Services

COUNTY LEVEL

- Tax Type / Tax Cat **02/01** = General Merchandise
- Tax Type / Tax Cat **02/80** = Telecommunications
- Tax Type / Tax Cat **02/RS** = Retail Services

As a continuation of this process, we are hereby reconfiguring the Hawaii Consumers' Use Tax by adding a new set of Tax Type / Tax Cat combinations for Telecommunications (as captured by Tax Cat '80') and Retail Services (as captured by Tax Cat 'RS') on the state and county levels in order to mirror the same measure of granularity on a Tax Type / Tax Cat level that exists for the sales tax variation of the Hawaii General Excise Tax.

Accordingly, effective with this month's release the Hawaii Consumers' Use Tax shall now be captured via the following set of Tax Type & Tax Cat combinations:

⁸ See <https://comptroller.texas.gov/taxes/publications/96-339.php>.

STATE LEVEL

- Tax Type / Tax Cat **U1/01** = General Merchandise
- Tax Type / Tax Cat **U1/80** = Telecommunications
- Tax Type / Tax Cat **U1/RS** = Retail Services

COUNTY LEVEL

- Tax Type / Tax Cat **U2/01** = General Merchandise
- Tax Type / Tax Cat **U2/80** = Telecommunications
- Tax Type / Tax Cat **U2/RS** = Retail Services

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