

Telecommunications Sales Tax Rates and Taxability

Addition of New Taxes to the Database Effective June 2022

Addition of New Data Set to Capture Company-Specific Administrative Cost Recovery Fees

As an enhancement to our database and as part of our ongoing commitment to ensuring customer satisfaction with our product, we are hereby introducing a new data set to enable our customers to collect a customized administrative cost recovery from their consumers.

The new purely optional tax feature shall be described as "Administrative Cost Recovery" and shall be captured in our database by Tax Type 'CR' (Administrative Cost Recovery) / Tax Cat '80' (Telecommunications & Utilities).

Please note that given the fact that the actual rate associated with this Administrative Cost Recovery is company-specific, we are populating this new rate record with a "bucket" (i.e., zero) rate.

Additionally, please note that there are potentially multiple administrative cost recoveries which a user of our database may wish to implement. Accordingly, as part of the initial phase of this enhancement project, we are associating this new rate record of CR/80 with purely Interstate and International telecommunication revenues.

As such, the underlying tax base on a transactional level shall mirror the Federal Universal Service Fund (as captured by Tax Type 35/80).

However, please note that unlike the FUSF which does not feature "tax-on-tax" on itself, we are programming the data to reflect that the FUSF IS imposed upon this new Administrative Cost Recovery given the fact that this cost recovery is NOT remitted to any tax authority and therefore is not subject to the FCC's prohibition against "marking up" the actual FUSF recovery charge from consumers.

Finally, and very crucially, please note that the set of tax decision records we are entering in conjunction with this new Tax Type record of CR/80 shall be entered with NON-TAXABLE decisions. Accordingly, any database user that wishes to activate this new "tax" in their system will need to convert those NON-TAXABLE decision records to TAXABLE decision records.

Database users that are unfamiliar with the process of converting such NON-TAXABLE records to TAXABLE records are encouraged to contact their sales representative.

Here are the basic guidelines associated with an Administrative Cost Recovery Fee:

ADMINISTRATIVE COST RECOVERIES - BASIC GUIDELINES

- * Cost recoveries are entirely custom in nature. They do not represent a tax, fee or governmental surcharge.
- * Cost recoveries are NOT remitted to any tax authority or governmental agency.
- * The basis of a cost recovery is a carrier's administrative expenses. How a carrier substantiates it is not the concern of Wolters Kluwer.
- * Accordingly, any database user that wishes to justify this fee to its consumers should consult with qualified legal counsel.
- * Initially, we are only assigning INTERSTATE revenue to the cost recovery Tax Type 'CR'. Accordingly, it will mirror the FUSF.
- * Since the rate is "company-specific", we are entering it as "a bucket" which shall vary from client to client.

* Say, for example, it's 9%. You would not IMPORT its own tax or any other tax into the tax base of this Cost Recovery Fee which would have the effect of increasing its rate since it is a "recovery" rather than a "tax", and therefore should feature a FIXED rate.

* Tax-on-tax will only apply to the EXPORT of the collection of the cost recovery to other taxes in the database such as the FUSF or sales tax.

* The Interstate cost recovery fee we are introducing effective this month is being copied from the FUSF (i.e., Tax Type 35/80) subject to the modifications outlined above.

* Safe Harbor / percent taxable values apply to the Interstate cost recovery fee in the exact same fashion as it does to the FUSF.

Provisions of the Administrative Cost Recovery Fee

SHOWN ON CUSTOMER'S BILL AS: "ADMINISTRATIVE COST RECOVERY"

1. Rate – 0% of Gross Receipts ("Bucket" Rate)
2. Pass-through of the Fee to Customers – PASSFLAG = 0 (Optional)
3. Level of Taxation – Tax is on the Federal level
4. Tax-type – CR = Administrative Cost Recovery
5. Tax-cat – 80 = Telecommunications & Utilities
6. Base-type – 01 = Seller – Gross Receipts
7. Effective date = January 1, 1999

Updates to Current Telecommunications Database - Taxability Changes Effective June 2022

Wilson Creek, Washington Local Utility Gross Receipts Tax - Change of Tax-on-Tax Rules

Among the taxes covered in our database is the Washington Local Utility Gross Receipts Tax (as captured by Tax Type 32/80). One of the key taxability components associated with this tax is whether the rule of tax-on-tax applies, vis-à-vis the tax itself, i.e., whether a recovery charge for this tax is included in the measure of revenues subject to tax. Our thorough research on an individual city basis has demonstrated that the tax-on-tax rules associated with the Washington Local Utility Gross Receipts Tax move in both directions, i.e., in a defined number of cases, the rule of tax-on-tax does apply while in the remaining number of cases the rule of tax-on-tax does not apply.

The determining factor as to whether the rule of tax-on-tax does or does not apply is whether each city's municipal code contains a "canned provision" excluding revenues derived from a recovery charge associated with the Washington Local Utility Gross Receipts Tax from the tax base of that tax. If so, the rule of tax-on-tax does not apply. Conversely, if a city's municipal code does not contain such a "canned provision", the rule of tax-on-tax implicitly applies.

Based upon a recent quality assurance review of governing legislative sources, we are hereby changing the existing tax-on-tax rule in the town of Wilson Creek.

Prior to this month's release, our database reflected that the rule of tax-on-tax did not apply in the town of Wilson Creek.

However, based upon a review of Wilson Creek's amended municipal code, it is now our fresh understanding that the rule of tax-on-tax does apply in the town of Wilson Creek.

To quote the relevant sections of the town's municipal code which establishes this fact:

"Generally. There are levied and shall be collected utility taxes against the persons on account of the business activities, and in the amounts to be determined by the application of the rates against gross income, as set forth in this section."1

Telephone utility tax - Amount. There are levied and shall be collected utility taxes against and upon every person engaged in or carrying on a telephone business within the Town of Wilson Creek, a tax equal to two (2) percent of the total gross revenue from such business during the tax-reporting period."2

As amended by Ordinance Number 420, the term "Gross revenue" is now defined as follows:

"Gross revenue means revenues received by a telephone utility or business from operations or sales of telephone services of any kind within the town less net uncollectibles. Gross revenues of telephone utilities shall include 100 percent of the toll service fees from calls originating in or from and/or billed to subscribers within the Town of Wilson Creek, Washington, including revenue from providing access to a local telephone network, local telephone network switching service, toll service, or coin, telephonic, video, cellular, wireless, or data phone service or similar communication or transmission for hire, via a local telephone network, toll line or channel, cable, microwave, cellular, wireless or similar communication or transmission system, including transmission of communications to and from cellular telephones and other wireless telephone service."3

Given the fact that the Wilson Creek Municipal Code does not contain the canned provision, the rule of tax-on-tax implicitly applies.

Accordingly, we are hereby modifying our database effective with this month's release to reflect that the rule of tax-on-tax does apply regarding the Local Utility Gross Receipts Tax imposed by the town of Wilson Creek (as captured by Tax Type 32/80).

Updates to Current Telecommunications Database - System Changes Effective June 2022

Morehouse Parish, Louisiana - Reconfiguration of the 911 Surcharge

Among the taxes covered in our database is the Morehouse Parish, Louisiana 911 Surcharge. Prior to this month's release, our database reflected that this surcharge was levied in the form of a percentage rate combined with a Maximum Tax Base.

More specifically, the key data values associated with the Morehouse Parish, Louisiana 911 Surcharge were as follows:

RESIDENTIAL CUSTOMERS = TAX TYPE 33/27

- * TAX RATE = 5%
- * MINIMUM UNIT BASE = 0 ACCESS LINES
- * MAXIMUM UNIT BASE = 100 ACCESS LINES
- * MINIMUM TAX BASE = \$0.00
- * MAXIMUM TAX BASE = \$15.40
- * BASE TYPE = '12' (CONSUMER - TARIFF RATE)

COMMERCIAL CUSTOMERS = TAX TYPE 33/26

- * TAX RATE = 5%

1 Wilson Creek, WA Municipal Code § 3.16.030.A.

2 Wilson Creek, WA Municipal Code § 3.16.030.D.

3 Wilson Creek, WA Municipal Code § 3.16.030.B(3).

- * MINIMUM UNIT BASE = 0 ACCESS LINES
- * MAXIMUM UNIT BASE = 100 ACCESS LINES
- * MINIMUM TAX BASE = \$0.00
- * MAXIMUM TAX BASE = \$31.40
- * BASE TYPE = '12' (CONSUMER - TARIFF RATE)

The configuration of this tax in the form of a percentage rate combined with a Maximum Tax Base was based upon the text of the local legislation establishing the 911 surcharge which recited as follows:

"BE IT RESOLVED, that in accordance with the laws of the State of Louisiana, the amount of the emergency telephone service charge levied on any service user who can utilize the service to access the 9-1-1 emergency telephone number in Morehouse Parish shall be as follows:

\$0.77 (77 cents) per month per wireline residential service connection provided that this amount does not exceed 5% of the service carrier's flat rate, and if such occurs then the per month wireline residential rate would be calculated at 5% of the service carrier's flat rate.

\$1.57 (one dollar and 57 cents) per month per wireline business service connection provided that this amount does not exceed 5% of the service carrier's flat rate, and if such occurs then the per month wireline business rate would be calculated at 5% of the service carrier's flat rate."4

The imposition section of this resolution thus establishes the rate structure of the Morehouse Parish, Louisiana 911 Surcharge in the form of the alternative of two mutually exclusive scenarios.

It is the fresh interpretation of our tax team that the FIRST alternative represents the more common scenario in the industry.

Accordingly, effective with this June 2022 product release, we are hereby reconfiguring the Morehouse Parish, Louisiana 911 Surcharge by replacing the existing set of data values with a set of flat fees that feature the following new set of data values:

RESIDENTIAL CUSTOMERS = TAX TYPE 33/04

- * FEE AMOUNT = \$0.77
- * MAXIMUM TAX BASE = BLANK
- * MAX UNITS = 100 ACCESS LINES
- * BASE TYPE = '06' (CONSUMER - ACCESS LINE)

COMMERCIAL CUSTOMERS = TAX TYPE 33/03

- * FEE AMOUNT = \$1.57
- * MAXIMUM TAX BASE = BLANK
- * MAX UNITS = 100 ACCESS LINES
- * BASE TYPE = '06' (CONSUMER - ACCESS LINE)

4 Morehouse Parish Communications Service District Resolution Number 2004-01; adopted October 28, 2004.

Advance Notice of System Changes Effective July 2022

East Carroll Parish, Louisiana - Reconfiguration of the Local 911 Surcharge Rate Structure

Among the regulatory fees covered in our database is the East Carroll Parish, Louisiana Local 911 Surcharge.

Prior to this month's release, our database reflected that this surcharge was imposed upon landline customers in the form of a set of flat fees as follows:

* RESIDENTIAL CUSTOMERS (Tax Type 33/04) = \$0.77

* COMMERCIAL CUSTOMERS (Tax Type 33/03) = \$4.35

However, based upon a recent quality assurance review of governing legislative sources, it is now our fresh understanding that the East Carroll Parish, Louisiana Local 911 Surcharge is actually levied in the form of a percentage rate - i.e., 5% of the charge for local telephone service.

To quote the text of the ballot referendum presented to voters in East Carroll Parish on November 3, 1998:

"Shall the East Carroll Parish Communication District be authorized to levy an emergency telephone service charge not to exceed 5% of the highest tariff rate for local telephone service supplied within the District, for the purpose of establishing an enhanced 911 emergency telephone system; provided, that the service charge shall be imposed only upon the amount of the tariff rate for exchange access lines, that charges for telephone equipment and long distance service shall be exempt from the 5% service charge authorized hereby, and that exchange access facilities in excess of 100 per person per location shall be exempt from the 5% service charge imposed therein; said 5% service charge to be levied from January 1, 1999, until such time as the service charge is reduced or suspended by the governing authority of the District?"⁵

As per the state authorizing statute, the term "tariff rate" is defined as follows:

"“Tariff rate” means the rate or rates as stated in the service supplier’s tariffs and approved by the Public Service Commission, that represent the service supplier’s recurring charges for exchange access facilities, exclusive of all taxes, fees, licenses, or similar charges whatsoever. If exchange access facilities are provided by the service supplier under both flat and usage-sensitive rate schedules, the flat rates shall be considered the “tariff rate”.”⁶

It is our understanding that this measure was approved by voters in the parish. It is our further understanding that in the interim since the measure was adopted, the East Carroll Parish Communications District has yet to enact local legislation converting the 5% service charge rate into a corresponding set of flat fees, as authorized by Louisiana Revised Statutes § 33:9106.

Therefore, in the absence of such local legislation, it is our seasoned interpretation that the most accurate way to display the East Carroll Parish, Louisiana Local 911 Surcharge in our system is via the 5% rate rather than a schedule of flat fees.

Accordingly, effective with our next July 2022 product release, we shall hereby replace the existing flat fee structure associated with the East Carroll Parish, Louisiana Local 911 Surcharge (as respectively captured by Tax Types 33/03 & 33/04) with the original 5% surcharge rate (as captured by Tax Type 33/25).

The reason we are delaying implementation of this local rate structure reconfiguration is in order to give our CLEC customers that do business in Louisiana sufficient time to adjust their internal billing systems.

Please note that the question that automatically arises for purposes of East Carroll Parish is "what dollar amount should the 5% surcharge rate be multiplied by?"

⁵ East Carroll, Louisiana Emergency 911 Proposition.

⁶ Louisiana Revised Statutes § 33:9106.A(6).

The answer to this question is as follows: Based upon the literal text of the Emergency 911 Proposition quoted above, the 5% surcharge rate is required to be applied against "the highest tariff rate for local telephone service supplied within the District". Based upon information supplied to us from outside sources, "the highest tariff rate for local telephone service supplied within the District" translates to the tariff rate charged by AT&T. The link to AT&T's General Exchange Guidebook is: <https://cpr.att.com/pdf/la/g003.pdf#page=7>.

As per Subsection A3.2.1 (captioned "Flat Rate Schedule"), the current monthly tariff rates for AT&T's Basic Local Exchange Service in the state of Louisiana are as follows:

* RESIDENTIAL SERVICE (PER LINE) = \$ 33.00

* BUSINESS SERVICE (PER LINE) = \$755.00

Multiplying each class of service by the 5% surcharge rate yields the following dollar values:

RESIDENTIAL E911 SURCHARGE = \$ 33.00 X .05 = \$1.65 per month

COMMERCIAL E911 SURCHARGE = \$ 755.00 X .05 = \$37.75 per month

Admittedly, the calculated monthly rate for Commercial customers of \$37.75 is a steep increase from the existing rate of \$4.35 (as captured by Tax Type 33/03).

Nevertheless, on the plus side, it is our strictly informal understanding that a Local Exchange Carrier would still remain in de facto compliance with the East Carroll Parish Communication District by multiplying the 5% surcharge rate by its own individual carrier-specific tariff rate for residential or commercial local exchange service as an alternative to multiplying the 5% surcharge rate by AT&T's tariff rate.

NOTE: In the event, the reconfiguration of the East Carroll Parish, Louisiana Local 911 Surcharge in our database which we are scheduling out for the July 2022 product release would cause undue hardship for your company, please contact the Wolters Kluwer Customer Support team for supplemental guidance.

Geography

The geography content in our data is updated on a monthly basis, with larger quarterly updates. Changes include adding new geocodes, expiring geocodes that are no longer necessary, and remapping ZIP+4s to both existing geocodes and to new ones. For your convenience, a list of expired geocodes is provided below.

FAQ

What is a geocode?

A geocode represents a unique set of state, county, city and tax district areas.

Why do geocodes matter to my company?

Taxes are associated with geocodes, so proper calculation of taxes is dependent on accurate mapping of addresses to geocodes.

What should I do next?

Users do not need to do anything unless they are using mapped geocodes for recurring transactions. Should this be the case, it is strongly recommended that users refresh their mapped geocodes to make sure the proper geocodes will be used for future transactions, as changes other than expired geocodes can impact your tax rate.

How do I find a new geocode if the old geocode is expired or reassigned?

Please pass your address to the system and obtain a proper geocode again. In some cases, the geocode will not change if the address is still within the boundary of the new geographic segments.

Expired geocodes

GeoCode	State	County	BlockDesc	TaxDistrictDescription
---------	-------	--------	-----------	------------------------

US04007A0003	AZ	GILA	UNINCORPORATED COUNTY AREA	TONTO APACHE INDIAN RES
US04025A0002	AZ	YAVAPAI	PRESCOTT	YAVAPAI-PRESCOTT INDIAN RES
US1205375625	FL	HERNANDO	WEEKI WACHEE	
US1909162985	IA	HUMBOLDT	PIONEER	
US1707131992	IL	HENDERSON	GULFPORT	
US17163A0037	IL	SAINT CLAIR	ALORTON	METRO EAST PARK AND REC DIST / METRO-EAST MASS TRANS DIST
US17163A0033	IL	SAINT CLAIR	CAHOKIA	METRO EAST PARK AND REC DIST / METRO-EAST MASS TRANS DIST
US17163A0067	IL	SAINT CLAIR	CENTREVILLE	CENTREVILLE BUS DIST / METRO EAST PARK AND REC DIST / METRO-EAST MASS TRANS DIST
US17163A0035	IL	SAINT CLAIR	CENTREVILLE	METRO EAST PARK AND REC DIST / METRO-EAST MASS TRANS DIST
US20091A0067	KS	JOHNSON	UNINCORPORATED COUNTY AREA	EDGERTON ON-THE-GO TRAVEL PLAZA CID
US29189A0076	MO	SAINT LOUIS	CREVE COEUR	OLIVE BOULEVARD TRANS DEV DIST
US29189A0124	MO	SAINT LOUIS	VALLEY PARK	ROUTE 141 MARSHALL ROAD CID
US3804904740	ND	MCHENRY	BANTRY	
US36089A0006	NY	SAINT LAWRENCE	MORRISTOWN	CO OF SAINT LAWRENCE - OUTSIDE SD
US4806708752	TX	CASS	BLOOMBURG	
US48121A0058	TX	DENTON	UNINCORPORATED COUNTY AREA	DENTON CO FRESH WATER SUPPLY DIST 1A-1H / DENTON CO FRESH WATER SUPPLY DIST 1A-1H AMENDMENT 1 / LEWISVILLE FIRE CNTL DIST
US48121A0056	TX	DENTON	UNINCORPORATED COUNTY AREA	DENTON CO FRESH WATER SUPPLY DIST 1A-1H / LEWISVILLE FIRE CNTL DIST
US48389A0006	TX	REEVES	PECOS	PECOS/REEVES CO ASSISTANCE DIST NO 1 / REEVES CO HOSP DIST
US48389A0004	TX	REEVES	PECOS	REEVES CO HOSP DIST
US4902199918	UT	IRON	CEDAR HIGHLANDS	
US5002754850	VT	WINDSOR	PERKINSVILLE	
US5305307170	WA	PIERCE	BONNEY LAKE	

WOLTERS KLUWER GENERAL LEGAL DISCLAIMER

CCH Incorporated (“we”, “us”, “CCH” or “our”) is pleased to provide the requested research materials (“materials”) but must make clear that we are providing these materials to assist you in your research and analysis relating to the subject matter thereof. Our providing these materials is conditioned upon the following terms and your reliance upon or use in any respect of the materials or communications confirms your acceptance and agreement to these terms (the “terms”):

THE MATERIALS ARE PROVIDED "AS IS" WITHOUT WARRANTY OF ANY KIND. CCH EXPRESSLY DISCLAIMS ALL WARRANTIES RELATING TO THE MATERIALS, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

CCH IS NOT ENGAGED IN RENDERING LEGAL, ACCOUNTING, TAX OR OTHER PROFESSIONAL SERVICES OR ADVICE. IF LEGAL, ACCOUNTING, TAX OR OTHER EXPERT ASSISTANCE IS REQUIRED, THE SERVICES OF A COMPETENT PROFESSIONAL SHOULD BE OBTAINED.

YOU ASSUME ALL RESPONSIBILITIES AND OBLIGATIONS WITH RESPECT TO ANY DECISIONS OR ADVICE MADE OR GIVEN AS A RESULT OF THE USE OF THE MATERIALS. YOU EXPRESSLY AGREE THAT USE OF THE MATERIAL IS AT YOUR OWN RISK AND THAT THE MATERIALS ARE NOT INTENDED TO REPLACE YOUR PROFESSIONAL SKILL AND JUDGMENT.

NEITHER CCH NOR ANY OF ITS AFFILIATES SHALL HAVE ANY LIABILITY TO YOU OR ANYONE ELSE FOR ANY INACCURACY, ERROR OR OMISSION CONTAINED IN THE MATERIALS OR ARISING FROM YOUR USE IN ANY RESPECT OF THE MATERIALS, REGARDLESS OF THE CAUSE. THE FOREGOING EXCLUSION OF LIABILITY IS INTENDED TO APPLY REGARDLESS OF THE FORM OF CLAIM.

THE MATERIALS RELATE TO PRODUCTS AND/OR SERVICES ACQUIRED BY YOU, PURSUANT TO OTHER AGREEMENTS BETWEEN CCH AND YOU AND SUBJECT TO OUR GENERAL TERMS AND CONDITIONS IN THE FOREGOING AGREEMENTS. THE PROVISION OF THESE RESEARCH MATERIALS IS NOT INTENDED TO CHANGE OR OTHERWISE AFFECT, AND IN NO WAY CHANGES OR OTHERWISE AFFECTS, THE RIGHTS AND OBLIGATIONS UNDER THOSE AGREEMENTS; YOUR USE OF SUCH PRODUCTS AND/OR SERVICES SHALL CONTINUE TO BE GOVERNED BY THE TERMS OF THOSE AGREEMENTS AND THESE TERMS.

FINALLY, THE MATERIALS BEING PROVIDED ARE CONFIDENTIAL AND ARE BEING PROVIDED TO YOU FOR YOUR PERSONAL AND NON-COMMERCIAL USE. YOU MAY NOT DISTRIBUTE ANY PORTION OF THE MATERIALS OUTSIDE OF YOUR COMPANY WITHOUT OUR PRIOR WRITTEN AUTHORIZATION, NOR RESELL OR USE THE MATERIALS FOR ANY COMMERCIAL USE WHATSOEVER.

© 2022 Wolters Kluwer and its affiliates and licensors. All rights reserved.