

# Telecommunications Sales Tax Rates and Taxability

## Welcome to the Telecommunications Database

This bulletin provides important information about the October 2023 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 Items Added to the Database Effective October 2023

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### New International - Federal Taxes Only Items Added to the Interconnected VOIP Groups

Please note that as an enhancement to our database, we are adding one new item to both Group 5032 (Fixed VOIP) and Group 5044 (Nomadic VOIP), effective with this October 1<sup>st</sup> database release.

The new items which will be coded as 5032/024 & 5044/024 shall capture the taxability of international VOIP services that either originate or terminate in the United States but are billed to a foreign country.

On a taxability level, these new items will only return **U.S. Federal** taxes such as the Federal USF assessment and the Federal Cost Recovery Charges (i.e., Federal TRS).

The full item description for both items are as follows:

#### Item 5032/004:

024	<b>VOIP – INTERNATIONAL – FEDERAL TAXES ONLY</b>	Charge for an International call that either originates or terminates in the U.S. but is billed to a foreign country (such as Canada) that only returns Federal taxes (such as the Federal Universal Service Fund Surcharge).
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#### Item 5044/004:

024	<b>VOIP – INTERNATIONAL – FEDERAL TAXES ONLY</b>	Charge for an International call that either originates or terminates in the U.S. but is billed to a foreign country (such as Canada) that only returns Federal taxes (such as the Federal Universal Service Fund Surcharge).
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## Updates to Current Telecommunications Database - System Changes Effective October 2023

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### Rate Increase for the West Carroll County, Louisiana 911 Surcharge Applicable to CMRS Users

Among the taxes covered in our database is the West Carroll County<sup>1</sup>, Louisiana 911 Surcharge. Prior to this month's release, our database reflected that two variations of this surcharge were imposed as follows:

- A variation applicable to Commercial Mobile Radio Service (CMRS) users (as captured by Tax Type 33/06)
- A variation applicable to landline & VOIP users (as captured by Tax Type 33/25)

Please note that as per an ordinance adopted by the West Carroll Parish Police Jury on April 11, 2023, the rate for the 911 Surcharge imposed upon CMRS users is being increased from 85 cents per month to \$1.25 per month, effective October 1, 2023.

To quote the remittance form which implemented this rate increase:

"Per Louisiana Revised Statute 33:9109 and in accordance with Ordinance No. 04112023 the West Carroll Parish Police Jury, in its capacity as the Governing Authority of the Communications District of the Parish of West Carroll Parish, State of Louisiana, does hereby levy a service charge of one dollar and twenty-five cents (\$1.25) per month per wireless CMRS connection."<sup>2</sup>

Accordingly, effective with this October 1<sup>st</sup> release, we are hereby updating our database to reflect that the fee amount for the West Carroll County Louisiana 911 Surcharge applicable to CMRS users (as captured by Tax Type 33/06) is being increased to \$1.25 per month per wireless CMRS connection.

### Reconfiguration of the West Carroll County, Louisiana 911 Surcharge Applicable to Landline and VOIP Users

As noted above, in addition to the West Carroll County Louisiana 911 Surcharge applicable to CMRS users, the Parish also imposes a 911 Surcharge upon landline and VOIP users. Prior to this month's release, our database captured this variation through a single Tax Type & Tax Cat combination of 33/25<sup>3</sup> based upon the fact that the 911 surcharge featured a uniform rate of 5% of the tariff rate for local exchange service for both residential and commercial users.

To quote the original Resolution establishing this uniform rate:

"Pursuant to the laws of the State of Louisiana, the Parish hereby authorizes South Central Bell to begin collection of the E911 service charge on subscribers' telephone bills. The service charge percentage is hereby established at 5% of the tariff rate."<sup>4</sup>

However, based upon the contents of the same local ordinance referenced above, we are hereby reconfiguring the West Carroll County Louisiana 911 Surcharge applicable to landline and VOIP users by dividing that surcharge into two components – i.e., one that is applicable to residential users and one that is applicable to commercial users.

The basis for this reconfiguration is that this surcharge shall now feature a MAX TAX value that varies between residential versus commercial users.

To quote the ordinance that establishes this distinction:

"Be it Ordained that pursuant to the authority of Louisiana Revised Statutes § 33:9109, the West Carroll Parish Police Jury hereby supplements and amends the Resolution dated October 22, 1990 to provide that the service charges for Residential phone lines shall not exceed the amount of \$1.25/month per phone line and Business telephone service shall not exceed the amount of \$6.96/month per phone

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<sup>1</sup> Counties in Louisiana are officially known as "parishes".

<sup>2</sup> West Carroll Parish Communications District E-911 Telephone Service Charge Return.

<sup>3</sup> Tax Cat '25' = Sale Price / Service Charge.

<sup>4</sup> Resolution dated October 22, 1990 – Exhibit F: West Carroll Parish Enhanced 911 Service Charge Collection.

line not to exceed the number of consecutive call paths established by Louisiana Revised Statutes § 33:9106.A.3.”<sup>5</sup> Accordingly, we are hereby dividing up the West Carroll County Louisiana 911 Surcharge applicable to landline and VOIP users into two components as follows:

- A variation applicable to commercial users (as captured by Tax Type **33/26**<sup>6</sup>) featuring a tax rate of 5% combined with a MAX TAX value of \$6.96.
- A variation applicable to residential users (as captured by Tax Type **33/27**<sup>7</sup>) featuring a tax rate of 5% combined with a MAX TAX value of \$1.25.

Please note that for both Tax Type 33/26 and Tax Type 33/27, we are changing the original MAX TYPE value associated with Tax Type 33/25 from ‘15’ (Accumulated Total of Units Per Month) to ‘04’ (Total Taxable Receipts Per Access Line).

#### **Change to the Effective Date Associated with the Illinois Prepaid Wireless 911 Surcharge for Locations Inside the City of Chicago**

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

As reported in the September 2023 Release Notes, we updated our database to reflect that the rate for this surcharge for sales of prepaid wireless service for locations sourced to the city of Chicago is now 9%, based upon a quality assurance review of legislative sources.

At the same time, however, we reported that the Effective Date for this rate change from 7% to 9% was June 3, 2021 – again based upon our analysis of those same legislative sources.

In the interim, however, the Illinois Department of Revenue – which actually collects this surcharge – has updated their website to reflect that the actual Effective Date for this rate change is October 1, 2023, based upon the fact that the agency is prohibited from implementing such a rate increase prior to giving taxpayers 30 days advance notice.

To quote the instructions contained on that web page:

“The Prepaid Wireless E911 Surcharge must be collected on sales of prepaid wireless telecommunications service. The rate of the Prepaid Wireless E911 Surcharge varies depending on whether the transaction occurs at a Chicago or a non-Chicago location.

- For sales of prepaid wireless telecommunications service at a **Chicago** location, from October 1, 2023, to December 31, 2023, collect the Prepaid Wireless E911 Surcharge at 9 percent (.09).
- From January 1, 2021, to September 30, 2023, the Prepaid Wireless E911 Surcharge for Chicago locations was 7 percent (.07).
- From October 1, 2014, to December 31, 2020, the Prepaid Wireless E911 Surcharge for Chicago locations was 9 percent (.09).

The same webpage adds:

**Note:** Effective January 1, 2024, absent action taken by the General Assembly to amend the statute, the Prepaid Wireless E911 Surcharge for Chicago locations will be reduced to zero percent (.00).”<sup>8</sup>

Please note that our research team is diligently monitoring the status of any proposed legislation to determine if the Illinois Legislature will indeed extend the imposition of this surcharge for Chicago locations beyond the January 1, 2024 sunset date.

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<sup>5</sup> West Carroll Parish Police Jury Ordinance # 4112023.

<sup>6</sup> Tax Cat ‘26’ = Sale Price / Service Charge – Commercial Customers.

<sup>7</sup> Tax Cat ‘27’ = Sale Price / Service Charge – Residential Customers.

<sup>8</sup> “Other Miscellaneous Taxes, Fees, and Surcharges” [See <https://tax.illinois.gov/research/taxrates/other.html>].

## Change to the Tax Rate Components Associated with the West Virginia State Wireless 911 Fee

Among the taxes covered in our database is the West Virginia State Wireless 911 Fee which until July 1, 2023 was composed of the following four separate components:

- Wireless Enhanced 911 Fee – captured on our database via TaxType/TaxCat 06/06.
- Wireless Tower Fee – captured on our database via TaxType/TaxCat 06/13.
- Police Public Safety Fee – captured on our database via TaxType/TaxCat 06/14.
- DHS Public Safety Fee – captured on our database via TaxType/TaxCat 06/15.

However, pursuant to a West Virginia Public Service Commission Order, effective July 1, 2023, the Police Public Safety Fee and the DHS Public Safety Fee are being combined into one surcharge which is called the Public Safety Wireless Fee.

To quote the Order which implemented this administrative change:

### “COMMISSION ORDER

As directed by statute, the Public Service Commission increases the wireless enhanced 911 fee (WE911 Fee) from \$ 3.51 to \$ 3.64 per month, per subscriber, to become effective July 1, 2023. For July 2023 and each month thereafter commercial mobile radio service (CMRS) providers will bill and collect a \$ 3.64 WE911 Fee, an \$ 0.08 wireless tower fee, which must be shown separately on the subscriber's bill, and a \$ 0.29 public safety wireless fee, which must be shown separately on the subscriber's bill. The total of the separately billed fees shall be \$ 4.01 per month from each service subscriber.

IT IS THEREFORE ORDERED that the Wireless Enhanced 911 Fee is \$ 3.64 per month, per subscriber, to become effective July 1, 2023. When **the Wireless Enhanced 911 Fee** is combined with **the monthly wireless tower fee** of \$ 0.08, which must be shown separately on the subscriber's bill, and **the monthly public wireless safety fee** increment of \$ 0.29, which must be shown separately on the subscriber's bill, the Fees total \$ 4.01 per month per subscriber.”<sup>9</sup>

Accordingly, effective with this October 1<sup>st</sup> database release, the West Virginia State Wireless 911 Fee will be composed of the following three separate components:

- **Wireless Enhanced 911 Fee** – captured on our database via TaxType/TaxCat **06/06 = \$3.64**
- **Wireless Tower Fee** – captured on our database via TaxType/TaxCat **06/13 = \$0.08**
- **Public Safety Wireless Fee** – captured on our database via TaxType/TaxCat **06/14 = \$0.29**

**TOTAL = \$4.01**

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<sup>9</sup> West Virginia Public Service Commission General Order Number 187.63 (2023 W. VA PUC LEXIS 653) Dated May 16, 2023.

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