

The Telecommunications Excise Tax is imposed upon the act or privilege of originating or receiving intrastate or interstate telecommunications in Illinois at the rate of 7% of the gross charges for such telecommunications purchased at retail from retailers. See 86 Ill. Adm. Code 495.100. (This is a GIL.)

April 13, 2006

Dear Xxxxx:

This letter is in response to your letter dated November 1, 2004, in which you request information. We apologize for the delay in responding to your request. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

ABC requests guidance on the proper payment of sales tax on private telecommunication services between our home office in STATE and ABC stores within other states.

Our IS department has entered into a contract with XYZ to provide these private telecommunication services. The Monthly Remote Service and Monthly Office Service are flat fees that are not based upon channel mileage or channel termination points. In some cases, the information is riding over existing telephone lines and some cases there may be a separate line altogether. XYZ describes this service below.

'Unlike a normal ISP connection which allows users to route to the Internet, the XYZ Office connection routes information to your CITY/STATE headquarters location. We enable information [i.e. email, security cameras, server to server calls and POS information] to be passed between your stores and HQ without transversing the public Internet. For comparison purposes, we are similar to a Frame Relay connection.'

STATE has determined that we should pay STATE sales tax on 50% of the charge and contact the states that our stores are in for their tax information. My questions are,

would telecommunication services be taxable in your state? Are they taxable at the rate per location or at a reduced rate?

**DEPARTMENT'S RESPONSE:**

The Telecommunications Excise Tax is imposed upon the act or privilege of originating or receiving intrastate or interstate telecommunications in Illinois at the rate of 7% of the gross charges for such telecommunications purchased at retail from retailers. See 86 Ill. Adm. Code 495.100. The telecommunications retailer collects the Telecommunications Excise Tax. If the Telecommunications Excise Tax is not paid to the telecommunications retailer then the telecommunications customer must self-assess the Telecommunications Excise Tax liability and remit the amount directly to the State. For information on the proper calculation of charges for that portion of the interstate inter-office channel provided within Illinois please refer to 86 Ill. Adm. Code 495.100 (n)(3).

Please note, both interstate and intrastate telecommunications that originate or are received in this State are subject to Telecommunications Excise Tax. However, a taxpayer that has paid a tax in another state on an interstate telecommunication, or to another foreign jurisdiction on a call that originates or terminates outside of the United States shall be allowed a credit against the tax imposed under the Telecommunications Excise Tax Act on the tax properly due and paid. See 86 Ill. Adm. Code 495.130.

Beginning on January 1, 2003, the Department began collecting most municipal telecommunications taxes. See 35 ILCS 636, Simplified Telecommunications Tax Act. The change in the law did not affect the City of Chicago. Depending upon if a telecommunication originates or terminates in a municipality that has a Simplified Municipal Telecommunications Tax, local telecommunications tax may apply. Telecommunication retailers are also subject to the Telecommunications Infrastructure Maintenance Fee. See 35 ILCS 35/635.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess  
Associate Counsel

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