ST 99-0042-GIL 01/27/1999 TELECOMMUNICATIONS EXCISE TAX

For purposes of the Telecommunications Excise Tax, “gross charges” includes the amount paid for the act or privilege of originating or receiving telecommunications in Illinois, and for all services and equipment provided in connection therewith by a retailer.

January 27, 1999

Dear Ms. Xxxxx:

This letter is in response to your facsimile sent on September 17, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See, 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your facsimile, you have stated and made inquiry as follows:

The CITY has a telecommunications tax which is almost exactly like that of the State of Illinois. To provide consistency for taxpayers, the City wants to interprete its tax in a similar manner as the State. My question concerns the taxation of a service performed by a telecommunications company. The service provided is the changing of the frequency of a pager.

A customer who owns its pager comes to the company for telecommunications. For the company to provide telecommunications, the company must change the frequency of the pager to be compatible with the frequency range that the company uses. The company adds a crystal to the customer’s pager which changes the frequency. The company separately charges the customer for this service. Does the state tax this service?

The Telecommunications Excise Tax Act (35 ILCS 630/1 et seq.)("Act") imposes a tax upon the act or privilege of originating or receiving interstate or intrastate telecommunications by a person in Illinois at the rate of 7% of the gross charges for telecommunications purchased at retail from a retailer. This tax must be collected from persons by a “retailer maintaining a place of business in Illinois.”

“Gross charges” are defined in Section 2 (a) of the Act as “the amount paid for the act or privilege of originating or receiving telecommunications in this State and for all services and equipment provided in connection therewith by a retailer ….” See. 86 Ill. Adm. Code 495.100 (enclosed). Generally, charges for fixing the frequency of a pager so as to allow the customer to originate or receive telecommunications are considered “gross charges” subject to the tax.

I hope that this information is helpful. If you have further questions related to the Illinois sales tax laws, please contact the Department’s Taxpayer Information Division at (217) 782-3336. The Department also maintains a web cite

which you may find useful. The cite can be accessed at http://www.revenue.state.il.us.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 120.110 (b).

Very truly yours,

Jerilynn Gorden
Senior Counsel, Sales/Excise Tax