

## ■ Telecommunications Excise Tax Increase

### **TO:** Telecommunications Retailers

Effective January 1, 1998, the Illinois Telecommunications Excise Tax will increase from 5 percent to 7 percent of gross charges.

#### **On which services do I collect tax from my customers at the "old" 5 percent rate?**

You must collect the "old" 5 percent tax rate from your customers on all calls made prior to January 1, 1998, regardless of when you bill your customers for those calls.

If you bill your customers in advance for telecommunication services (*i.e.*, the service charge), you will collect the "old" 5 percent rate on both December and January services that you bill on or before December 31, 1997.

If you do not bill your customers in advance for telecommunication services (*i.e.*, the service charge), you will collect the "old" 5 percent rate on December services that you bill for on or after January 1, 1998. However, you will collect the "new" 7 percent rate on January

services that you bill on or after January 1, 1998.

#### **On which services do I collect tax from my customers at the "new" 7 percent rate?**

You must collect the "new" 7 percent tax rate from your customers on all calls made on or after January 1, 1998, regardless of when you bill your customers for those calls.

If you bill your customers in advance for one month's worth of telecommunication services (*i.e.*, the service charge), **do not** collect the "new" 7 percent rate on January services that you bill on or before December 31, 1997. However, you will collect the "new" 7 percent rate on January services that you bill on or after January 1, 1998.

If you bill your customers in advance for more than one month's worth of telecommunication services (*i.e.*, the service charge), you must pay tax at the "new" 7 percent rate for services provided after January 31, 1998, that you bill on or before December 31, 1997.

If you do not bill your customers in advance for telecommunication services (*i.e.*, the service charge), you will collect the

"new" 7 percent rate on January services that you bill on or after January 1, 1998. However, you will collect the "old" 5 percent rate on December services that you bill on or after January 1, 1998.

#### **How do I pay both tax rates?**

You must file Form RT-2, Telecommunications Excise Tax Return, to report and pay the Telecommunications Excise Tax. Form RT-2, has been revised to reflect the "new" 7 percent rate.

For billing periods during which you have collected tax from your customers at both the "old" 5 percent and "new" 7 percent rates,

- write your gross charges billed on Form RT-2, Line 9, regardless of the tax rate collected from your customers. Then continue to complete Lines 10 through 18 based on these total charges. You will be reporting all of your gross charges at the "new" 7 percent rate.
- also complete Form RT-7, Worksheet for Telecommunications Excise Tax. This worksheet allows you to take a credit that will reduce your tax to reflect services taxed

at the "old" 5 percent rate. Be sure to carry the amount from Line 8 of the worksheet to Form RT-2, Line 19. (If you have other credits that you are including on Line 19, add all credit amounts together and write the total on Line 19.) Do not send this worksheet with Form RT-2, but keep it as a part of your books and records.

**How do I amend a return I filed under the "old" 5 percent rate?**

To amend a Form RT-2 you filed for a liability period prior to January 1, 1998, mark through the 7 percent tax rate printed in Step 3, Line 15, and write "5 percent." Then figure the return following the instructions for each line.

**Have any of the filing requirements changed?**

No. None of the filing requirements for the Telecommunications Excise Tax have changed.

If you are a monthly filer, your Form RT-2 is still due on or before the 15th day of the month following the month for which you are filing. If you are a quarterly filer, your Form RT-2 is still due on or before the 15th day of the month following the quarter for which you are filing.

In addition, you may still apply for an extension not to exceed 31 calendar days if you cannot reasonably compile the information necessary to file a completed return on time. Such an extension may require a deposit.

**Has the definition of "gross charges" changed?**

No. "Gross charges" is still the total amount paid for:

- telecommunications originated or received in Illinois and
- all services and equipment you provided in connection therewith, whether paid for with cash, credit, services, or property.

When you figure your gross charges, do not deduct

- the cost of providing such telecommunications,
- the cost of materials used in providing telecommunications,
- the cost of labor or service, or
- any other expense you incur in providing telecommunications.

If credit is used to pay for telecommunications services and equipment, include it in your gross charges figure when the credit is paid.

**Questions?**

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed at the bottom of this bulletin.

**For information or forms...**

- Call us at 217 524-5404.
- Call our TDD (telecommunications device for the deaf) at 1 800 544-5304.
- Write us at Illinois Department of Revenue, P.O. Box 19019, Springfield, IL 62794-9019.
- Visit our Web site at <[www.revenue.state.il.us](http://www.revenue.state.il.us)>.
- Call Illinois Tax Fax, our fax-on-demand service, at 217 785-3400.
- Call our 24-hour Forms Order Line at 1 800 356-6302.

