

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 35 ILCS 630/1 *et seq.* (This is a GIL.)

July 27, 2012

Dear:

This letter is in response to your letter dated July 5, 2012, in which you request information. 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:

COMPANY1 is a provider of vehicle telematics services in the state of Illinois. Telematics service is one whereby a person in a vehicle (equipped with a preinstalled telematics device) can summon help or information as the need arises. In order to provide this service, we purchase (as the end user or consumer) lines of communication from COMPANY2 or COMPANY3. These lines are not connected to the public switch network.

We offer our customers a choice of two service plans. The first package [sic] is the “basic” package. The second is the “plus” package which includes everything in the “basic” package plus additional services. The services provided in each package are as follows:

**Basic package:**

● Automatic Collision Notification	● Remote Door Lock & Unlock
● Roadside Assistance	● Search & Send Driving Directions
● Safe Ride – call cab service for customers	● Emergency Call Response
● Severe weather & disaster information	● Automatic Alarm Notification
● Stolen Vehicle Location Assistance	

**Plus package (Basic plus the following):**

<ul style="list-style-type: none"><li>• Location-Based Traffic Information</li></ul>	<ul style="list-style-type: none"><li>• Location-Based Traffic Information</li></ul>
<ul style="list-style-type: none"><li>• Route Assistance &amp; Driving Directions</li></ul>	<ul style="list-style-type: none"><li>• Concierge Services – services include airline &amp; car rental reservations, hotel recommendations, dining recommendations.</li></ul>

Our Telematics service is considered standard or telematics-only model as our customers are only able to connect to our call centers, none of which are located in Illinois, from their vehicle telematics control unit.

There are two events that can cause a connection to occur. The first is through an automatic alert in the case of a collision or second through the press of the button for non-collision events. In the case of a collision using automatic alert, the vehicle still initiates communication with the call center. The call centers do not have the ability to contact the customer through the vehicle Telematics control unit. If the call center needs to contact the customer they can only do so by calling the contact number that the customer has provided. In addition, the customer does not have the ability to make outbound calls or receive inbound calls as the telematics unit is not connected to the Public Switched Telephone Network.

Currently COMPANY1 is collecting and remitting tax on the Illinois Telecommunications Tax Return under License X as well as the Illinois Telecommunications Infrastructure Maintenance Fee under License XX. We do not believe our services constitute telecommunications services but rather we consume the telecommunications services provided by companies like COMPANY2 or COMPANY3 (who provide the underlying transmission service) to provide our services. (See 35 ILCS 630/2c telecommunications shall not include value added services in which computer processing applications are used to act on the form, content, code and protocol of the information for purposes other than transmission). Therefore we believe our services are not telecommunication [sic] services and we believe we are not liable to collect the tax or fee.

Please confirm our understanding and let us know if you agree that COMPANY1 should discontinue the collection of the Illinois Telecommunications Tax and the Illinois Telecommunications Infrastructure Maintenance Fee.

Thank you for your assistance in the matter. If you have any questions or need further information, please contact Ms. Z at X.

**DEPARTMENT'S RESPONSE:**

The Illinois Telecommunications Excise Tax Act imposes a tax on the act or privilege of originating or receiving intrastate or interstate telecommunications by persons in Illinois at the rate of 7% of the gross charges for such telecommunications purchased at retail from retailers by such persons. 35 ILCS 630/3 and 4. The Simplified Municipal Telecommunications Tax Act allows municipalities to

impose a tax on the act or privilege of originating in such municipality or receiving in such municipality intrastate or interstate telecommunications by persons in Illinois at a rate not to exceed 6% for municipalities with a population of less than 500,000, and at a rate not to exceed 7% for municipalities with a population of 500,000 or more, of the gross charges for such telecommunications purchased at retail from retailers by such persons. 35 ILCS 636/5-10 and 5-15.

“Telecommunications,” in addition to the meaning ordinarily and popularly ascribed to it, includes, without limitation, messages or information transmitted through use of local, toll and wide area telephone service; private line services; channel services; telegraph services; teletypewriter; computer exchange services; cellular mobile telecommunications service; specialized mobile radio; stationary two way radio; paging service; or any other form of mobile and portable one-way or two-way communications; or any other transmission of messages or information by electronic or similar means, between or among points by wire, cable, fiber-optics, laser, microwave, radio, satellite or similar facilities. “Telecommunications” do not include “value added services in which computer processing applications are used to act on the form, content, code and protocol of the information for purposes other than transmission.” See 35 ILCS 630/2(a) and 2(c). If telecommunications retailers provide these services, the charges for each service must be disaggregated and separately stated from telecommunications charges in the books and records of the retailers. If these charges are not thus disaggregated, the entire charge is taxable as a sale of telecommunications.

“Gross charges” means 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, valued in money whether paid in money or otherwise, including cash, credits, services and property of every kind or nature, and shall be determined without any deduction on account of the cost of such telecommunications, the cost of materials used, labor or service costs or any other expense whatsoever. “Gross charges” do not include “charges for the storage of data or information for subsequent retrieval or the processing of data or information intended to change its form or content.” See 86 Ill. Adm. Code 495.100(c).

Telematic services that allow only voice and data communications between a customer vehicle and a call center and do not permit the customer to make calls to, or receive calls from, the public switched telephone network are considered information services and are not subject to Telecommunications Excise Tax. In those situations, the telematics service provider would be liable for Telecommunications Excise Tax on telecommunications services purchased from vendors and used by it to provide telematic services.

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.

Very truly yours,

Richard S. Wolters  
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