

ST 17-0035-GIL 11/08/2017 MISCELLANEOUS

The Emergency Telephone Assistance Act is administered by the Illinois Department of State Police. See 50 ILCS 750/. (This is a GIL.)

November 8, 2017

RE: Ruling Request for the COMPANY
FEIN: #####

Dear Xxxxxx:

This letter is in response to your letter, in which you requested 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 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:

The purpose of this letter is to obtain clarity from the Illinois Department of Revenue ("IDOR") regarding the application and calculation of E911 taxes on Session Initiated Protocol (SIP) trunk services. In this context, SIP trunks are a PRODUCT connection between the public switched telephone network and premise-based telephone equipment. The COMPANY has contracted with a major telecommunications carrier for SIP trunk services, which COMPANY uses for inbound and outbound voice communications.

FACTS

1. COMPANY has contracted for ## SIP trunks for the purpose of carrying voice communications between the company's premises within the U.S. and the public switched telephone network. These trunks are shared across all COMPANY's locations in all states where COMPANY operates. All of the

company's North American Direct Inward Dial (DID) numbers have been ported into the carrier's network to enable proper routing for inbound calls.

2. Calls ingress and egress COMPANY's premises across two ###Mbps circuits terminating in our data centers located in CITY, IL and CITY 1, IL. The carrier's responsibility for the service ends at this demarcation point. COMPANY then extends those circuits into a SYSTEM to route calls to the telephone endpoint in office buildings in Illinois and other states.

COMPANY has reviewed the current statute and seeks your agreement on the rationale and calculation of Illinois' E911 taxes as stated below that:

1. The SYSTEM meets the definition of a private branch exchange (PBX) as defined in the Illinois Emergency Telephone System Act (50 ILCS 750/2). Given the fact that the carrier's responsibility for the service ends at the service demarcation point within COMPANY's premises, we conclude that the carrier's service acts like a central office. In addition, our network design does not fit the definition of a Centrex service.
2. The SIP trunks meet the definition of Advanced Telecommunication Service as defined in the Illinois Emergency Telephone System Act (50 ILCS 750/2), and that the taxes ought to be calculated in accordance with the formula provided within the Act (50 ILCS 750/20). Following that formula means that the ## SIP trunks translate into ## trunk lines ($## \div ##$). ## trunk lines equal ## network connections (one network connection per trunk line). Using a rate of # \$\$ surcharges per network connection, COMPANY owes \$\$ on each connection ($## \times ##$). ## network connections, at \$\$ per connection, come to \$\$ per month in taxes.

The attached position paper provides a more in-depth description of the facts and a detailed analysis of the issue.

CONCLUSION

In this regard, COMPANY respectfully requests the IDOR to issue a letter ruling to COMPANY confirming our understanding of the correct calculation of Illinois' E911 tax as applied to SIP trunk telephone service. If you have any questions, or need additional information, please don't hesitate to contact me.

DEPARTMENT'S RESPONSE:

The Department's regulation "Public Information, Rulemaking and Organization" provides that "[w]hether to issue a private letter ruling in response to a letter ruling request is within the discretion of the Department. The Department will respond to all requests for private letter rulings either by

issuance of a ruling or by a letter explaining that the request for ruling will not be honored.” 2 Ill. Adm. Code 1200.110(a)(4). The Department declines to issue a Private Letter Ruling in response to your request. We hope, however, the following General Information Letter will be helpful in addressing your questions.

The Department of Revenue does not administer the Emergency Telephone Assistance Act, 50 ILCS 750/. It is administered by the Illinois Department of State Police. We suggest you direct your inquiry to the Department of State Police.

If you have questions related to the Illinois telecommunications tax or sales tax laws, please visit our website at www.tax.illinois.gov or contact the Department’s Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Richard S. Wolters
Chairman, Private Letter Ruling Committee

RSW:bkI