Telecommunication Tax Exemptions

PRESENTERS:

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## Telecommunication/Cable Taxes & Fees—

“to name a few in California......”

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Access Recovery Fee</td>
</tr>
<tr>
<td>2.</td>
<td>Advanced Services Fund</td>
</tr>
<tr>
<td>3.</td>
<td>Emergency Telephone Users Surcharge</td>
</tr>
<tr>
<td>4.</td>
<td>PUC Fee</td>
</tr>
<tr>
<td>5.</td>
<td>Teleconnect Fund</td>
</tr>
<tr>
<td>6.</td>
<td>Universal Lifeline System</td>
</tr>
<tr>
<td>7.</td>
<td>E-waste recycling fees</td>
</tr>
<tr>
<td>8.</td>
<td>Federal Cable System Subscriber</td>
</tr>
<tr>
<td>9.</td>
<td>Federal Excise Tax</td>
</tr>
<tr>
<td>10.</td>
<td>Federal Universal Service Fund</td>
</tr>
<tr>
<td>11.</td>
<td>Carrier Recovery Fee</td>
</tr>
<tr>
<td>12.</td>
<td>High Cost Fund A</td>
</tr>
<tr>
<td>13.</td>
<td>High Cost Fund B</td>
</tr>
<tr>
<td>14.</td>
<td>Local Franchise Fee</td>
</tr>
<tr>
<td>15.</td>
<td>Local Utility Users Tax</td>
</tr>
<tr>
<td>16.</td>
<td>Network Interface Fees</td>
</tr>
<tr>
<td>17.</td>
<td>Regulatory Cost Recovery Fee</td>
</tr>
<tr>
<td>18.</td>
<td>State Sales Tax Retail</td>
</tr>
<tr>
<td>19.</td>
<td>Telecom Relay System Surcharge</td>
</tr>
</tbody>
</table>
Who is ISSI, What is TEAMS?

Founded in 1994 specifically for tax exemption certificate management, ISSI (Imaging Science and Services, Inc.) developed the TEAMS (Tax Exemption Administrative Management System) imaging software specifically to help corporations gain control over the management of sales and use tax exemption certificates, and the tax planning/audit strategy that goes with this process.

TEAMS, originally developed as an on-premise “bolt-on” solution with complementary tools and utilities, evolved to a SaaS environment for a more fluid delivery model, and to meet industry demands.
How will TEAMS work?

- Customer Exemption Data
- ERP – SAP ERP
- Vertex
- Ecommerce
- CRM

- Workflow
- Forms Library
- Certificate Wizard
- TEAMS Agile
- Kiosk
- Mobile Sales
- CSR

Freedom Express

Agile Audit
LineLink XL
ISSI Services
Certificate Workflow

• Transaction inception
• Sales taxability
• Sufficiency Reviewed
• Documented, Stored, Indexed
• Searchable
• Retrievable
• Audit Defense
Common Telecom Exemptions

**Business Customers**
- Federal Government
- State/Local Government
- Non Profit Charitable
- Non Profit Educational
- Non Profit Hospital
- Non Profit Mental Health
- Non Profit Religious
- Reseller
- Blood Institute
- Etc...

**Residential Customer**
- Foreign Diplomats
- Disabled Veterans
- Lifeline
- Etc...
Refunds Rules “DOTS!”

<table>
<thead>
<tr>
<th>State</th>
<th>For Refund of Sales Tax on Purchases from Vendors, Must the Purchaser Seek a Refund from the Seller?</th>
<th>Comments</th>
<th>CCH ¶</th>
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<tbody>
<tr>
<td>Arizona</td>
<td>Yes</td>
<td>See ARS 54-2-11 (RF)</td>
<td>Arizona 61-610</td>
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<tr>
<td>Arkansas</td>
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<td></td>
<td>Arkansas 61-610</td>
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<tr>
<td>California</td>
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<td>California 61-610</td>
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<tr>
<td>Connecticut</td>
<td>No</td>
<td></td>
<td>Connecticut 61-610</td>
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<tr>
<td>Florida</td>
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<td></td>
<td>Florida 61-610</td>
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<tr>
<td>Georgia</td>
<td>No</td>
<td></td>
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<tr>
<td>Idaho</td>
<td>Yes</td>
<td></td>
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</tr>
<tr>
<td>Iowa</td>
<td>No</td>
<td></td>
<td>Iowa 61-610</td>
</tr>
<tr>
<td>Kansas</td>
<td>Yes</td>
<td></td>
<td>Kansas 61-610</td>
</tr>
<tr>
<td>Louisiana</td>
<td>State did not respond</td>
<td></td>
<td>Louisiana 61-610</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Yes</td>
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<td>Nebraska</td>
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</tr>
<tr>
<td>Nevada</td>
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<td></td>
<td>Nevada 61-610</td>
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<tr>
<td>North Carolina</td>
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<td>Ohio</td>
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<tr>
<td>Oklahoma</td>
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</tr>
<tr>
<td>Rhode Island</td>
<td>Yes</td>
<td></td>
<td>Rhode Island 61-610</td>
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</tbody>
</table>
“Clear as Mud:”

California Sales Tax Guide, ¶61-610, California, Application for refund

Return of excess tax to customer.— Tax reimbursements collected from customers on nontaxable amounts or on amounts in excess of the taxable amount must be returned by the retailer to the customer upon notification by the BOE or by the customer. (Sec. 6901.5, Rev. & Tax. Code) A purchaser generally cannot bring a sales tax refund suit against the BOE since the retailer, not the purchaser, is the taxpayer for sales tax purposes. (Sec. 6933, Rev. & Tax. Code)

California Sales Tax Guide, California, Sec. 6901.5, [Return of excess sales or use taxes to customer]

California Codes, REVENUE AND TAXATION CODE, DIVISION 2 OTHER TAXES, PART 1 SALES AND USE TAXES, CHAPTER 7 OVERPAYMENTS AND REFUNDS, Article 1 Claim for Refund

When an amount represented by a person to a customer as constituting reimbursement for taxes due under this part is computed upon an amount that is not taxable or is in excess of the taxable amount and is actually paid by the customer to the person, the amount so paid shall be returned by the person to the customer upon notification by the Board of Equalization or by the customer that such excess has been ascertained. In the event of his or her failure or refusal to do so, the amount so paid, if knowingly or mistakenly computed by the person upon an amount that is not taxable or is in excess of the taxable amount, shall be remitted by that person to this state. Notwithstanding subdivision (b) of Section 6904, those amounts remitted to the state shall be credited by the board on any amounts due and payable under this part on the same transaction from the person by whom it was paid to this state and the balance, if any, shall constitute an obligation due from the person to this state.

(As amended by Ch. 38, Laws 1987, effective January 1, 1988.)
Unique Scenarios

- FUSF Annual Renewals
- Exempt Religious and Hospital
- Foreign Diplomats
- Agricultural Exemptions
- Management Agency Claims Customer Status
- Expired Forms (DOTS!)
- SSTP
- Generic Forms
- Online Form Submissions
- Electronic Signatures
- Certification for BANS/Circuits
- Audit Requirements
- After the fact Exemptions
- Illogical Exemption Categories
FUSF Annual Certifications

2012 “All or nothing, no more.”
2014 Downstream contribution, BANS, Circuits and more..
Requirements: FCC Wireline Comp 2014 (DA-14-119) 76 pages of changes to Certification Language etc.

• De minimis- somebody must be contributing
• International Services (Customer with 499 Fiber Id listed above uses services only to traverse the US, with neither origination or termination in the U.S.)

2015 & Beyond
No Standard Certification
499 Filer Designation Required, 499A copies, no proof requirement-
TEAMS FCC Filer ID Recon Process
1 Page versus 23 Pages
FUSF Credits
Automating Your Exemptions

- By Document type for your needs
  - Federal
  - State
  - Local
  - Not for profit
  - Government
  - Tribal
  - Veterans
  - Cross Border
Organizing Exemptions For Tax Planning

- By Entity/Operating Company
- By Jurisdiction
- By Tax type
- By Document type
- By Date/Expiration


Single unit and blanket exemptions

A purchaser may use the Pennsylvania Sales and Use Tax Exemption Certificate form (REV-1220AS) to indicate, directly on the form, whether the certificate applies to unit exemptions (single transactions) for blanket exemptions (multiple transactions between the same parties). (Sec. 237(c), Act of March 4, 1971, P.L. 6, [72 P.S. §7237(c)] ; Reg. Sec. 32.2 ) Technically, a blanket exemption certificate has no expiration date. However, A BLANKET RESALE CERTIFICATE MAY BE LIMITED BECAUSE PENNSYLVANIA SALES TAX LICENSES MUST BE RENEWED EVERY FIVE YEARS (see ¶61-240 Vendor Registration). A purchaser claiming an exemption as a religious or charitable organization may be REQUIRED TO RENEW ITS EXEMPTION EVERY THREE YEARS (see ¶60-580 Nonprofits Organizations, Private Schools and Churches). ( Reg. Sec. 32.21 )

- By Corporate Review Guideline
Audit Protection/Expedition

- Per previous slide, ensuring expiration, indexing, and validation process are met
- Having proper audit tools available to respond quickly (Keep the auditors OUT!)
- Keep on top of your compliance via tax planning utilities and resources
- **Lower your reserves and look great to the Boss**
- Reduce Credit Backs for the Powers That Be
Effective Policy

Get the proper documentation

- As early as possible
- Correct document/certificate
- Proper rules/Expiration
  - Signed
  - Dated
  - Sellers Name defined, if applicable
- Description of purchase, if applicable
- Sufficient by all applicable business rules

As specified in Section 317 of the Streamlined Sales and Use Tax Agreement a seller is relieved from tax liability if the seller obtains a fully completed exemption certificate or captures the relevant data elements required under the Agreement within 90 days subsequent to the date of sale.

When an exemption certificate is not obtained within 90 days as prescribed for an exempted sale, a seller has 120 days subsequent a request for substantiation by a member state to either prove that the transaction was not subject to tax by other means or obtain a fully completed exemption certificate from the purchaser. A good faith standard applies to requests of the seller within the 120 day provision. (Section 317 C 1). This Uniform Standard of Good Faith is in addition to the requirements in Section 317 of the Agreement.

In the simplest of terms “Good Faith” means the absence of intent to commit fraud.

The exemption certificate, document, or other proof that substantiates the exemption within the 120 day provision must meet the following requirements:

1.) The exemption reason claimed must be statutorily available in the state wherein the transaction was sourced.
2.) The seller does not have reason to believe that the purchaser is not entitled to the exemption claimed.
3.) The certificate or proof that the sale was not subject to tax must contain no statement or entry which the seller or lessor knows, or has reason to know, is false or misleading.
4.) The purchaser must provide the required information to substantiate the exemption including but not limited to, purchaser name, address, tax ID number, FEIN or Driver’s