

Telecommunication Tax Exemptions

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Telecommunication/Cable Taxes & Fees- “to name a few in California.....”

1. Access Recovery Fee
2. Advanced Services Fund
3. Emergency Telephone Users Surcharge
4. PUC Fee
5. Teleconnect Fund
6. Universal Lifeline System
7. E-waste recycling fees
8. Federal Cable System Subscriber
9. Federal Excise Tax
10. Federal Universal Service Fund
11. Carrier Recovery Fee
12. High Cost Fund A
13. High Cost Fund B
14. Local Franchise Fee
15. Local Utility Users Tax
16. Network Interface Fees
17. Regulatory Cost Recovery Fee
18. State Sales Tax Retail
19. Telecom Relay System Surcharge

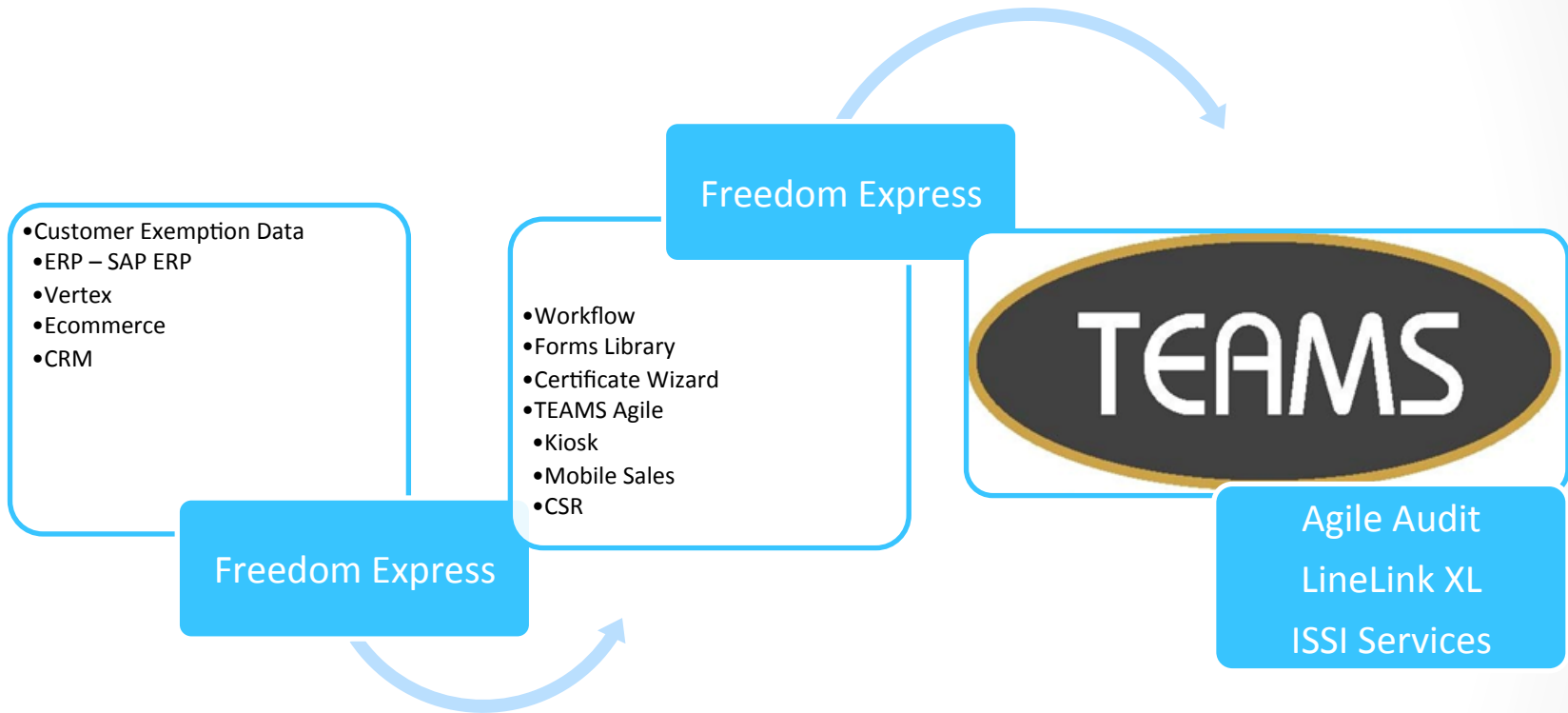


Who is ISSI, What is TEAMS?

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?



Certificate Workflow

- Transaction inception
- Sales taxability
- Sufficiency Reviewed
- Documented, Stored, Indexed
- Searchable
- Retrievable
- Audit Defense

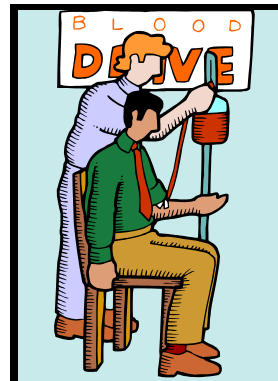
Common Telecom Exemptions

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!”

Results[1].xls - Microsoft Excel

Administration > Refund Claims > Direct Claim by Purchaser > For Refund of Sales Tax on Purchases from Vendors, Must the Purchaser Seek a Refund from the Seller?

The chart entries are based on state tax department responses to surveys. The links to CCH paragraphs are to general information on the same or related subject matter, which may not include a discussion of specific details treated by the survey.

State	For Refund of Sales Tax on Purchases from Vendors, Must the Purchaser Seek a Refund from the Seller?	Comments	CCH ¶
Arizona	See A.R.S. § 42-1118(F)		Arizona 61-610
Arkansas	Yes		Arkansas 61-610
California	Yes		California 61-610
Connecticut	No		Connecticut 61-610
Florida	Yes		Florida 61-610
Georgia	No		Georgia 61-610
Idaho	Yes		Idaho 61-610
Iowa	No		Iowa 61-610
Kansas	Yes		Kansas 61-610
Louisiana	State did not respond		Louisiana 61-610
Massachusetts	Yes		Massachusetts 61-610
Nebraska	No		Nebraska 61-610
Nevada	Yes		Nevada 61-610
North Carolina	Yes		North Carolina 61-610
Ohio	No		Ohio 61-610
Oklahoma	No		Oklahoma 61-610
Rhode Island	Yes		Rhode Island 61-610

“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

Results[1].xls - Microsoft Excel

	D	E	F	G	H	I	J	K	L	M
28										
29	Tax Desc	Tax Cat	Tax Cat Desc	Taxable/ Exempt	Notes	Citation	Certificate Number	Exmpt Code		
30										
31	FEDERAL COMMUNICATIONS TAX			EXEMPT		26 CFR 305.7871-1	NONE	05		
32										
33	06 Reseller									
34										
35	Tax Desc	Tax Cat	Tax Cat Desc	Taxable/ Exempt	Notes	Citation	Certificate Number	Exmpt Code		
36					IRC Section 4253(e) allows a communications company to sell communication services to resellers without paying any federal excise tax and there is no formal certificate that the reseller needs to provide the communications company, but many carriers do ask for the FCC filing number.	26 USCS § 4253	NONE	06		
37	FEDERAL COMMUNICATIONS TAX			EXEMPT						
38										
39	11 Non-profit Charitable									
40										
41	Tax Desc	Tax Cat	Tax Cat Desc	Taxable/ Exempt	Notes	Citation	Certificate Number	Exmpt Code		
42					No tax shall be imposed on any payment received for services furnished to...the American National Red Cross.	26 USCS § 4253	NONE			
43	FEDERAL COMMUNICATIONS TAX			TAXABLE						
44										
45	12 Non-profit Educational									
46										
47	Tax Desc	Tax Cat	Tax Cat Desc	Taxable/ Exempt	Notes	Citation	Certificate Number	Exmpt Code		
48					Any form of exemption certificate will be acceptable if it includes all the information required by the Internal Revenue Code and Regulations. File the certificate with the provider of the communication services. Non - Profit Educational organizations that are exempt from the communications tax do not have to file an annual exemption certificate after they have filed the initial certificate to claim an exemption from the communications tax.	26 USCS § 4253	A generic form is required, with certain conditions applied - see notes for further information.	12		
49	FEDERAL COMMUNICATIONS TAX			EXEMPT						
50										
51	13 Non-profit Hospital									
52										
53	Tax Desc	Tax Cat	Tax Cat Desc	Taxable/ Exempt	Notes	Citation	Certificate Number	Exmpt Code		
54					Any form of exemption certificate will be acceptable if it includes all the information required by the Internal Revenue Code and Regulations. File the certificate with the provider of the communication services. Non - Profit Hospitals that are exempt from					

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



Pennsylvania Sales Tax Guide, ¶61-020, Pennsylvania, Exemption Certificates 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

