

FHH Telecom Law
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**Telecommunications Tax Refund
Program Established**

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In our July 2006 issue we reported that the Internal Revenue Service had finally given up its attempt to assess the telecommunications excise tax on some long distance services (see "IRS Surrenders", July 2006, p. 7). This month the IRS announced how individuals will get that tax back from the government.

In order for businesses, non-profit organizations and other entities to seek a refund of the tax, they must actually calculate the amount of tax that they paid from February 2003 until August 2006. However, the IRS realized that it would be dealing with some very upset taxpayers if it made individuals, couples and families dig through the past 41 months of long distance phone bills from all their carriers. So, the IRS has thoughtfully established a standard refund amount. If taxpayers feel so inclined, they can still shuffle through phone bills dating back to the second season of American Idol to prove that they have paid more tax than the standard amount; however, most taxpayers likely will avoid that task. Note that the tax refund should cover 3% of the charges for long distance (and *only* long distance) calls assessed by telecom carriers for the last three years. To us, the standard amounts set by the IRS seem a little chintzy if that is what they are supposed to approximate, but the alternative is no refund at all if you cannot demonstrate the actual amounts of tax you paid.

Taxpayers who wish to take the standard refund will do so based upon the number of tax exemptions that are taken on their tax return for 2006 (filed in 2007). The IRS has indicated that they will include a special line on the 2006 tax return so that taxpayers can request the refund on their standard 1040. The IRS will also be creating a new tax return (Form 1040-EZ-T) for people who would not normally file taxes but who want the refund. See the accompanying chart showing the standard refund amounts.