



Refund of Telephone Excise Tax for 2006 only

By Kathleen Crawford, EA

If your tax return has been completed by now, you are aware that 2006 has allowed taxpayers a one time refund of telephone excise tax. If you had long distance service for the time period defined by the IRS, then you are entitled to a refund. This article discusses the particulars for individuals. Businesses are also entitled to the refund, however the rules for calculating the amount are too involved for this short article.

A taxpayer is entitled to this refund if he or she paid for long distance service during the period after February 28, 2003 and before August 1, 2006. This service can be in the form of a direct long distance service added to a telephone service, bundled service for “nation wide minutes” or other bundled service. The service can be for land-lines, wireless telephone lines (cell phones) or “Voice over Internet Protocol (ViOP)” service. Phone card purchases do not qualify a taxpayer for this refund.

For eligible taxpayers, there are two methods for calculating the refund. The IRS has calculated a standard amount, which is an average across the country. The standard amount is based on the number of exemptions on the return. A single person can claim \$30.00. A taxpayer with two exemptions (a couple or person and dependent) can claim \$40. Three exemptions receives a \$50.00 refund and 4 or more exemptions claims \$60. The other method for calculating the refund is to figure it directly from the long distance bills. For most people, the standard amount is fair or even generous. For a taxpayer who has major cell phone expenses for a family plan and long distance service on several land lines, the actual method may give a bigger refund. The IRS says that you do not to need all of your bills, but the claim you make must be ‘adequately’ documented. Also, if you have a sole proprietor business which is included in your personal return, the standard amount is all or nothing. You get your appropriate standard amount for personal and business combined or you must use the actual method.

The refund is claimed on your 2006 return. It is a one time refund and can only be claimed on the 2006 return. For people who are not required to file a return, there is a special form to get the refund without filing a regular return. The form is a 1040EZ-T. It can be filed on paper or electronically and is available at www.IRS.GOV.

If you are wondering if the standard amount is appropriate for you, you are not alone. I researched an example close to home. I do not have 4 years of telephone bills, but I do have all of 2006. The long distance portion of my telephone bills averaged \$23.00 per month for 2006. The excise tax charged for that size bill averaged 80 cents per month. So if I use that amount per month for the entire period, my calculated refund would be \$32.40. My standard amount would be \$40.00. I plan to take the standard amount and throw out the long distance bills.

If you have questions about this, see your tax professional. If you want to know more about the reasons for the refund, see www.IRS.GOV. Remember it is for 2006 only. If you have a partnership, corporation or non-profit business, you cannot use the standard amount, you must use one of the calculation methods.

The fine print is that this article is for information only. Please call Kathy or a tax professional for questions about your individual tax situation. The Jacksonville Tax Lady can be reached at 541-899-7926 or at 610 North Fifth Street.

