

Long Distance Excise Tax Credits

During 2007, taxpayers who paid federal excise taxes on long distance and bundled telephone services, including services using land lines, cell phones, fax lines and Voice over Internet Protocol (VoIP) may claim a tax credit for these taxes on their 2006 federal income tax returns. Bundled services include services under a plan that does not separately state the charge for local service. Taxpayers include individuals, businesses and tax-exempt organizations. The credits cover taxes paid after February 28, 2003 and before August 1, 2006.

Two methods are available to determine the refund amount. Under the first method, individual or business taxpayers may determine the actual taxes paid during the 41 month period and request the refund on IRS Form 8913.

The second method is a simpler “standard amount” for individuals and an “estimation method” for businesses. These secondary methods may be used by taxpayers who do not have access to or do not want to track down 41 months of phone bills and then manually calculate the amount of tax paid.

For individuals, the standard amount is claimed on a single line of your 2006 federal income tax return (Form 1040, Form 1040A or Form 1040EZ) and is based on the number of exemptions you claim:

- 1 exemption - \$30 credit
- 2 exemptions - \$40 credit
- 3 exemptions - \$50 credit
- 4 or more exemptions - \$60 credit

To use the estimation method, business taxpayers need to gather the following information:

- The April 2006 and September 2006 telephone bills
- Total telephone expenses paid during the 41 month period between February 28, 2003 and August 1, 2006
- The number of employees in the pay period including June 12, 2006 (from Form 941).

Once the taxpayer has gathered this information, they apply these amounts to an IRS formula to determine the amount of the credit. This credit is claimed on Form 8913 as an attachment to the federal business income tax return for 2006.

The IRS is trying to make this a simple process. If you have further questions refer to the IRS website at www.irs.gov or discuss this with your tax advisor. The IRS website has informational links to frequently asked questions, the necessary forms and the estimation method formula for businesses.