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Are You Eligible for a One-Time Refund of Excise Tax on Phone Service?

By **Carlton Walker, Esq.**

You may not realize it, but the federal telephone excise tax has been part of your telephone bill for years, and you may now be eligible for a one-time tax refund by claiming a special credit on your 2006 federal income tax return if:

- You have been billed for the federal telephone excise tax on long-distance or bundled service after February 28, 2003 and before August 1, 2006 for landline, wireless or Voice over Internet Protocol (VoIP) service, and
- Your telephone service provider has not provided you with a credit or refund for this excise tax.

“Bundled service” means that your local and long-distance service was furnished under a plan that did not separately state the charge for local service.

The federal telephone excise tax has been based on the distance of your calls and how long you talked on those calls. However, telephone companies have changed the way they offer phone service, and now, instead of charging you for each toll call based on distance and time, they charge a flat fee for phone service. Consequently, telephone companies challenged the federal telephone excise tax, and the courts held that this excise tax does not apply to long-distance service.

In May 2006, the U.S. Department of Treasury announced that it would stop imposing the federal excise tax on long-distance telephone service. It provided for a special one-time refund for individuals, businesses, and tax-exempt organizations that paid the excise tax on long-distance telephone service or bundled service during the specified 2003-2006 period.

You may claim this special one-time federal telephone excise tax credit on your 2006 federal income tax return if you file Form 1040, Form 1040A, or Form 1040EZ. Even if you are not required to file a federal income tax return for 2006, you may request a refund for the federal telephone excise tax on Form 1040EZ-T. Businesses and tax-exempt organizations may also request a refund by claiming this special excise tax credit on their 2006 federal income tax returns, generally Form 1120 and Form 990-T respectively.

You may determine the amount of your refund based on the actual amount of excise tax you paid in 2003-2006. If you choose to base your refund request on the actual amount paid, you must fill out a Form 8913, Credit for Federal Telephone Excise Tax Paid, and attach it to your 2006 federal income tax return.

If you do not have the records to calculate the actual amount of excise tax paid or choose not to plow through old telephone bills, you can request a standard refund amount between \$30 and \$60, based on the total number of exemptions claimed on your 2006 federal income tax return. If you request the standard refund amount, you need only enter the applicable amount of the refund on one line of your federal income tax return. The standard refund amounts are as follows:

The Standard Refund Amount is:	If the Number of Exemptions You Claimed is:
\$0	0
\$30	1
\$40	2
\$50	3
\$60	4 or more

Businesses and tax-exempt organizations may not request a standard refund amount. They must fill out a Form 8913 showing the amount of federal excise tax they paid during the prescribed period and attach it to their 2006 federal income tax returns.

Since the federal telephone excise tax refund is a one-time special payment, it will accordingly reduce the amount you owe or increase your refund on your 2006 federal income tax return.

For more information about this excise tax refund, see [Internal Revenue Service Notice 2007-11](#)

Mr. Walker is an attorney licensed to practice law in Michigan and Illinois. In his private practice, Mr. Walker provides advice and counsel with respect to tax, employee benefits, and estate planning matters.

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