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Important Information: IRS Refunds Tax on Telephone Long-Distance

*By Howard Fienberg, CMOR Director of Government Affairs
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There is some good tax news to report to the survey and opinion research profession. The Internal Revenue Service (IRS) has agreed to offer a one-time payment available on 2006 federal income tax returns to refund long distance telephone excise taxes collected over the last three years. Individuals, businesses and tax-exempt organizations are eligible to request it.

Background

The tax was originally imposed on the "luxury" of long-distance calling in 1898, during the Spanish-American War. Congress repealed the tax in 1902, reintroduced it in 1914, repealed it again in 1924, and revived it once more in 1932. In August 2006, the IRS stopped collecting the tax after several federal court decisions held that the tax could no longer apply to long-distance service.

The Refund

The refunds are limited to taxes paid specifically for long-distance service, along with excise taxes paid on "bundled" plans. (Bundled plans typically charge a flat monthly fee and don't distinguish between local and long-distance calls.) Taxpayers who paid excise taxes for Internet-based phone service (Voice over Internet Protocol, or VOIP), also are eligible.

The refund covers only taxes billed from Feb. 28, 2003, to Aug. 1, 2006. The IRS says the statute of limitations bars it from refunding taxes paid more than three years before the refund program was announced.

In claiming the refund, taxpayers can either use the actual sum of long-distance excise taxes paid during the period, or the standard amounts provided by the IRS. If using the actual sum of taxes paid, taxpayers will need IRS Form 8913, in addition to their regular filing form(s): <http://www.irs.gov/pub/irs-pdf/f8913.pdf>

Update on other Telecommunications Taxes

- Local-only phone service is still subject to an excise tax. Senators Chuck Schumer (D-NY) and John Ensign (R-NV) have introduced S. 140 and S. 170, which would repeal this tax, and President Bush endorsed the repeal in his FY07 budget proposal, but this legislation is not likely to be considered.
- The moratorium against taxes on Internet access expires on November 1, 2007. Senators Ron Wyden (D-OR) has introduced a bill to make the moratorium permanent (S. 156). As a result of Senate rules, Congress will likely renew the moratorium for a set period rather than make it permanent.

CMOR will continue to monitor such tax issues that have a direct impact on the survey and opinion research business. If you have any questions about the federal tax refund or other government affairs issues, please contact hfienberg@cmor.org or 301-654-6601.

Disclaimer: The information provided is for guidance and for informational purposes only. They are not intended to be a substitute for legal advice. CMOR advises all parties to consult with private legal counsel or a tax expert regarding the interpretation and application of any laws to your business.

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