

# IRS News Release

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## Phone Card Retailers Usually Qualify for Telephone Tax Refund

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WASHINGTON — Under the law, retailers and other businesses that sell prepaid phone cards usually qualify for the telephone tax refund.

The Internal Revenue Service today reminded these businesses to check their eligibility for this special refund before filing their 2006 federal income tax return. Normally, the phone card retailer, not the phone company that issues the card or the customer who uses the card, is responsible for paying the three-percent federal excise tax. As long as the phone card was not restricted to local-only service, the retailer is eligible to request the telephone tax refund.

The government stopped collecting the long-distance excise tax last August after several federal court decisions held that the tax does not apply to long-distance service as it is billed today. Federal officials also authorized a one-time refund of the 3 percent federal excise tax collected on service billed during the previous 41 months, stretching from the beginning of March 2003 to the end of July 2006.

In most instances, the law places the responsibility for the collection of the excise tax on the carrier. The carrier, usually a phone company, has transferred the phone card to a retailer or other business. This retailer or other business is referred to as a transferee. The transferee most often is the first person that is not a carrier to whom a phone card is transferred. The transferee is generally liable for the payment of the excise tax, not the carrier.

Because the carrier is not usually liable for the tax, the carrier is not usually eligible for the refund. Also under the law the holder or end-user, that is the customer who purchases a phone card to use and not to resell, is ordinarily not liable for the tax and not entitled to the refund.

Businesses request the refund by filling out Form 8913, Credit for Federal Telephone Excise Tax Paid, and attaching it to their regular income-tax return. More information on the refund is available in the "Telephone Excise Tax Refund" section on the front page of IRS.gov.

The three-percent federal excise tax continues to apply to local-only phone service.