



This publication is provided for general guidance only. It does not contain all sales or use tax laws or rules.

# Sales Tax Information for Telecommunications Service Providers

Utah State Tax Commission  
210 North 1950 West  
Salt Lake City, Utah 84134  
801-297-2200  
1-800-662-4335  
[tax.utah.gov](http://tax.utah.gov)



If you need an accommodation under the Americans with Disabilities Act, email [taxada@utah.gov](mailto:taxada@utah.gov), or call 801-297-3811 or TDD 801-297-2020. Please allow three working days for a response.

## Introduction

This publication provides sales tax information for telecommunications (telecom) service providers. It includes Utah law and Tax Commission rules, but is not all-inclusive. Future law or rule changes may change this publication.

Find general sales and use tax information in Publication 25.

## What is Taxable

Telecom services that originate and terminate within the boundaries of Utah, including landline, mobile and ancillary (secondary) services.

## Definitions

### Delivery Location

For telecom service, the place of primary use. This is usually the buyer's residential or business address.

Use the delivery location to determine the correct taxing jurisdiction and tax rate. The Tax Commission provides an online database (*ZIP+4 Boundaries for Telecom Tax Rates*) that ties ZIP+4 addresses to taxing jurisdictions. You can download this database at [tax.utah.gov/utah-taxes/telecom-download](http://tax.utah.gov/utah-taxes/telecom-download) and use it to calculate taxes and fees for each of your delivery locations.

Telecom providers report sales and use tax on form TC-62M with Schedule A. Each jurisdiction where you deliver service appears as a separate outlet on Schedule A.

Use the same delivery locations on your electronically-filed *Emergency Services Telephone Fee Return* and your *Municipal Telecommunications License Tax Return*.

### Telecom Service

The electronic transfer or routing of audio, video, voice or data signals. See Utah Code §59-12-102.

### Telecom service includes:

1. Electronically enabling, routing or sending communications. This includes VoIP (voice over Internet protocol) and enhanced or value-added service
2. 800 service
3. 900 service
4. Fixed wireless service
5. Mobile wireless service
6. Postpaid calling service
7. Prepaid calling service
8. Prepaid wireless calling service
9. Private, two-way communications service that gives exclusive or priority use of one or more channels (for example, a two-way radio)

### Telecom service does not include:

1. Advertising, including directory advertising
2. Ancillary (secondary) service, including conference bridging service, communications billing service, directory assistance, vertical service (used to identify callers and manage multiple calls) and voicemail service
3. Billing and collection service provided to a third party
4. Data processing and information service, including value-added data service
5. Installing or servicing equipment or wiring at a customer's premises
6. Internet access service
7. Paging service
8. Products transferred electronically (music, reading material, ring tones, software, video, etc.)
9. Radio and television audio/video programming service
10. Value-added non-voice data service, in which a computer application processes data or information
11. Any tangible personal property

### **Ancillary (Secondary) Service**

Services associated with telecom service. This includes conference bridging service, detailed communications billing service, directory assistance, vertical service (used to identify callers and manage multiple calls) and voicemail service.

### **Fixed Wireless Service**

Service that provides radio communication between fixed points.

### **Mobile Wireless Service**

Service that provides telecommunication between two points if the origination point, the termination point, or both are not fixed.

### **Postpaid Calling Service**

Telecom service paid on a call-by-call basis, using a bank card, travel card, credit card or debit card, or by dialing an access number through which service is charged after it occurs.

An example of postpaid calling service is a telephone calling card used to pay for calls after they are made according to a billing cycle. This includes calls charged to a home phone.

Sales of post-paid calling service are sourced to the place of primary use. In jurisdictions that impose the municipal telecommunication license tax, these transactions qualify as telecom service taxable to the service provider. These transactions are also subject to sales and use tax.

### **Prepaid Calling Service (Not Including a Telephone Line)**

Telecom services that are paid for in advance and used by entering an access number or authorization code.

Prepaid calling service is sold in units of minutes or dollars that decline with use. A 60-minute phone card for sale at a grocery store is an example of prepaid calling service.

Prepaid calling service may include a disposable phone and a temporary phone line, if they are all sold together.

Amounts paid for prepaid calling service are subject to sales and use tax and are sourced to the sale location. No additional sales and use tax is charged when the service is actually used.

Prepaid telecom service sold as a prepaid calling card is taxable for in-state calls. Prepaid telephone services are considered in-state telephone services if the card can be used for in-state calls. If a card can only be used for inter-state or international calls, it can be sold tax free.

### **Prepaid Wireless Calling Service**

The right to use mobile wireless service, including non-telecom services (such as downloading products transferred electronically, content services or secondary services).

Prepaid calling services are paid for in advance and sold in units of minutes or dollars that decline with use. They are used by entering an access number or authorization code.

Amounts paid for prepaid wireless calling service are subject to sales and use tax and are sourced to the sale location.

Prepaid telecom service sold as a prepaid calling card is taxable for in-state calls. Prepaid telephone services are considered in-state telephone services if the card can be used for in-state calls. If a card can only be used for inter-state or international calls, it can be sold tax free.

Prepaid wireless calling service includes prepaid disposable phones that allow callers access to 911 emergency service.

### **Private Communication Service**

Service that entitles a customer to exclusive or priority use of one or more channels between or among termination points. Private communications service includes an extension line, a station, and switching capacity.

## **Mobile Telecom Sourcing Act**

Local governments may impose taxes or fees on telecom service to buyers whose places of primary use are within their jurisdictions. The service is subject to these taxes and fees regardless of where the mobile telecom services originate, terminate or pass through.

The Mobile Telecommunications Sourcing Act (U.S. Code, Title 4, Chapter 4) defines the location of a wireless telephone call, for taxing purposes, as the customer's place of primary use. See *Delivery Locations* in this publication.

## **Emergency Service Telephone Charges**

The following charges apply to each landline, cellular line and other service line, such as VoIP. Any service provider who must pay one fee must also pay the other.

File and pay *E-911 Telephone Fee Return* electronically at [tap.utah.gov](http://tap.utah.gov). The return and payment are due at the same time as your *Sales and Use Tax Return*.

When you file, you must identify each city, town or unincorporated area of the county where phone service is supplied, based on the ZIP+4 service addresses of your customers. When you supply service to multiple locations within a county, DO NOT report all lines and fees at the county level or at just one city or town within the county.

The Tax Commission provides a downloadable database of rates and boundaries that ties ZIP+4 addresses to taxing jurisdictions. You can download this database at [tax.utah.gov/utah-taxes/telecom-download](http://tax.utah.gov/utah-taxes/telecom-download).

## **911 Emergency Service Charges**

The monthly 911 emergency service charge fee is 71 cents per service line.

You may keep 1.5 percent of this charge fees toward the cost of billing, collecting and paying the charge.

## **Unified Statewide 911 Emergency Service Charge**

The monthly unified statewide 911 emergency service charge is 25 cents per service line. You may keep 1.5 percent of this charge toward the cost of billing, collecting and paying the charge.

## **Radio Network Charge**

Utah levies an additional statewide fee of 52 cents per month for each service line to fund a statewide public safety communications network.

You may not keep any portion of this fee for any reason.

## 911 Service Charge on Prepaid Disposable Phones

Utah imposes a prepaid wireless 911 service charge of 3.7 percent and a prepaid wireless telecommunications service charge of 1.2 percent (4.9 percent combined) on the sales price of prepaid disposable cell phone minutes. Sellers may keep 3 percent of the money they collect for administration costs.

## Municipal Telecom License Tax (MTLT)

Utah cities and towns may impose a tax of up to 3.5 percent on the value of telecom service provided within their boundaries. You may pass this tax on to your customers. If you do, this amount is part of the service sales price for sales tax purposes.

To file and pay the *Municipal Telecommunications License Tax Return* electronically, go to [tap.utah.gov](http://tap.utah.gov). The return and the payment are due at the same time as your *Sales and Use Tax Return*. Find the jurisdictions that impose this tax and the rates online at [tax.utah.gov/sales/rates](http://tax.utah.gov/sales/rates).

When you file, you must identify each city or town where telecom service is provided, based on ZIP+4 service addresses of your customers. Since the unincorporated portion

of the county cannot impose this tax, DO NOT report any service at the county level.

The Tax Commission provides a downloadable database of rates and boundaries that ties ZIP+4 addresses to taxing jurisdictions. You can download this database at [tax.utah.gov/utah-taxes/telecom-download](http://tax.utah.gov/utah-taxes/telecom-download).

## Changes to Your Account

You must report account changes, and any changes to telecom delivery locations, immediately to the Tax Commission. Report company name changes, ownership changes and address changes on form TC-69C, *Notice of Change for a Tax Account*. Use form TC-62Q, *Utah Sales Tax Sourcing Schedule*, to add or delete a location.

## Penalties for Incorrect Filing and Non-Filing

We may impose a penalty of the greater of \$20 or 10 percent of the tax due if you submit incorrect or late return information. This includes:

- An incomplete return
- An electronic return in the wrong format
- Payment without a return

## Utah Telecom Taxes & Fees

Taxes and fees imposed on the customer are not included in the taxable base. However, taxes and fees imposed on the company that are listed on the customer's bill are included in the sales tax base.

The chart below is a summary of taxes and fees on telecom service in Utah. The chart may not be all-inclusive.

Tax	Explanation	Imposed On		Included in Tax Base
		Company	Customer	
Federal Excise Tax	Federal tax imposed on a buyer of local and toll telephone service (3%).		X	No
State Sales Tax	Sales tax imposed by Utah on a buyer of telephone service (4.7%).		X	No
Local Option Sales Taxes	Sales tax imposed on a buyer of telephone service — must have the same base as the state sales tax (rate varies).		X	No
Recovery of Municipal Telecommunications Tax	Imposed by a municipality on the value of telecom service provided within its boundaries.	X <sup>1</sup>		Yes
Unified Statewide 911 Service Charge	Imposed by Utah on the purchaser of access lines to fund emergency 911 telecom services (\$0.25).		X	No
911 Service Charge	Imposed by Utah to fund emergency 911 telecom services (\$0.71).		X	No
Federal Universal Service Fund (FUSF)	Imposed by the FCC on interstate telecom services to offset the high cost of telephone service in rural areas, help with the purchase of telecom services by schools and hospitals, and provide telephone assistance to low income individuals.	X <sup>2</sup>		No
FUSF – Private Line	This portion of the FUSF is applicable to private lines. This fee appears on DSL customer bills. The rate is the same as the standard FUSF.	X <sup>2</sup>		No

Tax	Explanation	Imposed On		Included in Tax Base
		Company	Customer	
Utah Universal Service Fund	Imposed by the Utah Public Utility Commission on intrastate telephone service to help keep the cost of telecom services low in high-cost areas.		X	No
Telecommunications Relay Service Fund	Imposed by the Utah Public Service Commission to fund the relay centers that help hearing and speech-impaired customers make and receive calls.		X	No
Radio Network Charge	Imposed by Utah to fund the statewide public safety radio network (\$0.52 per access line).		X	No
Federal Access Charge	Allowed by the FCC to recover part of the cost of connecting a customer's long distance carrier to the local network.		X	No

<sup>1</sup> Taxes that are imposed on the company and passed through to the customer constitute a reimbursement to the company for an expense. This becomes revenue to the company and part of the cost of the service to the customer. Therefore, it is subject to the various sales taxes. See Utah Code §59-12-102 (99)(b)(ii)(G).

If a tax is imposed directly on the customer, it is not included in the sales tax base. See Utah Code §59-12-102 (99)(c)(ii)(E).

<sup>2</sup> The service that this fee is associated with is not subject to the various sales taxes. Thus this fee is not part of the taxable base.

## Telecom Taxability Chart

The range of services a provider offers and the combination of services a customer buys are usually unique. Some services may be subject to emergency services fees alone, some may be subject to municipal telecom tax alone, and some may be subject to both.

The chart below is a summary of services that may be provided to telecom customers. The chart may not be all-inclusive.

Use the chart to find if a service is taxable. Then find if a locality imposes the fee or tax by checking the rate chart at [tax.utah.gov/sales/rates](http://tax.utah.gov/sales/rates).

Telecom Service	Subject to:			Reference <sup>2</sup>
	Emergency Services <sup>1</sup> UC §69-2-5	Municipal Telecom UC §10-1-404	Sales and Use UC §59-12-103	
800 Service – toll-free calling (800, 855, 866, 877, 888)	No	Yes <sup>3</sup>	Yes <sup>3</sup>	UC 59-12-102(1)
900 Service – inbound toll telecommunications	No	Yes <sup>3</sup>	Yes <sup>3</sup>	UC 59-12-102(2)
Ancillary (Secondary) Telephone Services (call waiting, caller ID, call forwarding, voice mail, etc.)	No	Yes	Yes	UC 59-12-102(12)
Answering Service – human operator	No	No	No	R865-19S-90(2)
Cable or Satellite TV <sup>4</sup>	No	No	No	UC 59-26-103
Cellular Phone Line	Yes	Yes	Yes	
Charges to fund special services (911, TDD, service for low-income customers)	No	No	No	R865-19S-90(2)
Contributions to aid construction projects	No	No	No	
Equipment Repair – equipment belongs to customer and remains tangible personal property	No	No	Yes	UC 59-12-104(61) Exemptions for telecom companies
Equipment Repair – real property	No	No	No	R865-19S-90(d)
Fiber Optic Cable – dark (unlit) – treated as lease of real property	No	No	No	PLR 07-009
Fiber Optic Cable – lit or activated – used for telephone service Part of a public switched telephone network (PSTN)	Yes	Yes	Yes	PLR 07-009
Fiber Optic Cable – lit or activated – not part of a public switched telephone network (PSTN)	No	Yes	Yes	

Telecom Service	Subject to:			Reference <sup>2</sup>
	Emergency Services <sup>1</sup> UC §69-2-5	Municipal Telecom UC §10-1-404	Sales and Use UC §59-12-103	
Internet Access – purchased, used or sold by a provider	No	No	No	PL 110-108 (PLR 08-005)
Internet Service Provider	No	No	No	PL 110-108 (PLR 08-005)
Long Distance – interstate	No	No	No	
Long Distance – intrastate	No	Yes	Yes	UC 59-12-103(1)(b)
Municipal Telecom Fee recovered from customer	No	No	Yes	UC 10-1-402(4)
Paging Service	No	No	No	UC 59-12-102(129)(c)(vii)
Post-Paid Calling Service	No	Yes	Yes	UC 59-12-102(129)(b)(vi)
Prepaid Service – including a phone line (disposable phone, temporary phone line, etc.)	Yes	Yes	Yes	UC 59-12-102(129)(b)(viii)
Prepaid Service – not including a phone line (e.g., a calling card)	No	Yes	Yes	UC 59-12-102(129)(b)(vii)
Radio – mobile service	Yes	Yes	Yes	UC 69-2-402, UC 69-2-403, UC 69-2-404
Radio Communications Access Line	Yes	Yes	Yes	UC 69-2-402, UC 69-2-403, UC 69-2-404
Refundable Deposits, Interest, Penalties, etc.	No	No	No	
Sales and Use Tax	No	No	No	
Service Fees – connection, disconnect, changes, etc.	No	Yes	Yes	UC 59-12-102(89)
Subscriber Access Fees	No	Yes	Yes	UC 59-12-103(b)
Switched Access Line (landline)	Yes	Yes	Yes	UC 69-2-402, UC 69-2-403, UC 69-2-404
VoIP (voice over Internet protocol)	Yes	Yes	Yes	UC 69-2-402, UC 69-2-403, UC 69-2-404
VPN (virtual private network)	Yes	Yes	Yes	

<sup>1</sup> Emergency Services includes 911 emergency service charge and radio network charge

<sup>2</sup> UC = Utah Code  
 PL = Public Law (federal)  
 PLR = Private Letter Ruling (Utah Tax Commission)  
 R = Administrative Rule

<sup>3</sup> If intrastate included, all is taxable

<sup>4</sup> Subject to multi-channel video or audio service tax

Find information online about E-911, computer-aided dispatch and municipal telecom, including detailed filing instructions and formats.

[tax.utah.gov/utah-taxes](http://tax.utah.gov/utah-taxes)