



## News Release

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For Immediate Release

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## **CLAIM YOUR 2006 TELEPHONE EXCISE TAX REFUND**

### **Don't Miss Your Share of The \$15 Billion IRS Telephone Tax Refund, Says RIA Tax Analyst**

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**NEW YORK, January, 2007** – After losses in five circuit courts, the IRS has finally conceded that long-distance telephone service, as it's billed today, isn't subject to the 3% federal telephone excise tax. "That's good news for taxpayers," says E.H. Rubinsky, RIA Tax Analyst from Thomson Tax & Accounting. "In fact, the IRS also announced that taxpayers may claim a one-time refund as a credit on their 2006 tax returns." The credit is for telephone excise tax the taxpayers paid on long-distance and certain "bundled" services ("nontaxable services"), billed to them over the 41-month period beginning after Feb. 28, 2003 and before Aug. 1, 2006.

**Press 1 for individuals' options for computing your refund amount.** "Most individuals have two options for computing their telephone tax refund," says Rubinsky. "They can claim the actual amount of taxes they paid on nontaxable services billed to them over the 41-month refund period, or they can claim a standard, safe harbor amount."

**Claiming actual taxes paid.** To make this claim, taxpayers must review the 41 months of old bills they've received since Feb. 28, 2003 and figure out how much tax they paid on nontaxable services.

"Taxpayers have to know what they're looking for—it can get a little tricky," cautions Rubinsky. "Taxpayers should ignore tax on local-only telephone service, federal access charges, and state and local taxes, none of which are eligible for refund."

IRS will pay interest on the refund claims for actual taxes paid. But any interest paid as part of a refund has to be included as taxable income. And claiming a refund for actual taxes paid means you must keep supporting documentation for your tax records.

**Claiming a standard amount.** As an alternative to combing through old phone bills, IRS allows taxpayers to take a standard amount refund from \$30 to \$60 that's based on the number of exemptions claimed on their tax return. For those claiming:

- One exemption, the standard refund amount is \$30
- Two exemptions, the standard refund amount is \$40

- more -

- Three exemptions, the standard refund amount is \$50
- Four or more exemptions, the standard refund amount is \$60.

“Individuals who are dependents with no exemption can’t take the standard refund and, instead, have to file a claim for actual taxes paid,” points out Rubinsky.

IRS says that the standard amounts include interest, but no part of the standard refund has to be reported as taxable income for any year. IRS doesn’t require any documentation to be submitted or kept to support the claim.

These standard amounts were set by IRS based on actual telephone usage data. “After doing some quick math, most people will end up using the standard amounts because it’s easier and because those amounts are similar to what they would have received if they had calculated actual taxes,” notes Rubinsky. “Of course, there will be cases when that is not true. For example, it may pay for taxpayer with multiple cell phones and bundled plans to make a claim for actual taxes paid,” she adds.

***Options for certain Schedule C filers, others.*** Independent contractors and sole proprietors who report more than \$25,000 of gross income on Form 1040, Schedule C have three options for claiming their telephone tax refunds: (1) they can use the standard amounts which cover both personal and business expenses; (2) they can use a special estimation formula (that applies for businesses and tax exempts only) for their business expenses, and actual taxes paid for their personal ones; or (3) they can use their actual taxes paid for both business and personal.

Schedule C filers reporting \$25,000 or less of gross income have only the same two options, described above, as other individuals.

Similar rules apply to individual owners of rental property and farmers, depending on the amount of gross income reported on their Form 1040, Schedule E or Schedule F.

**“For forms to file and directory assistance...”** To claim a standard amount, taxpayers need to fill out only one additional line on their 2006 tax return—Form 1040, line 71; Form 1040A, line 42; or Form 1040EZ, line 9.

But to claim a refund based on actual taxes paid (or for Schedule C, Schedule E, or Schedule F filers using the special estimation formula), new Form 8913 must also be completed and attached to the tax return. One of the things Form 8913 does is show you how to compute interest.

For individuals who aren’t required to file a 2006 tax return, IRS has created new Form 1040EZ-T just for claiming the telephone tax refund. The Form 1040EZ-T can be used to claim either a standard refund amount (based on the exemptions you could have claimed on a return) or actual taxes paid (which requires that you also attach 8913). This form can be filed electronically through IRS’s Free File program.

“And as always, if you are using a tax professional to help you prepare your returns, don’t forget to mention how you would like to claim your excise tax refund,” says Rubinsky. “You can always discuss the best possible way to proceed with them.”

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