

Minnesota revenue notice

Revenue Notice # 91-18 Sales and Use Tax - Telephone Services

Revenue Notice #91-18 has been revoked and replaced by Revenue Notice # 03-10.)

Minn. Stat. § 297A.01, subd. 3(f) provides that local exchange telephone service, certain intrastate and interstate toll services, and private communication services are subject to the sales and use tax. The Department has taken the following positions relating to sales/use tax applicable to these telephone services:

1) 911 and T.A.P. Charges.

In Minnesota, local telephone exchange customers pay two fees on their monthly bill, one to fund the 911 emergency system, and the other to fund the Telephone Assistance Plan (T.A.P.). These charges are not subject to the sales or use tax.

2) Federal Excise Tax.

The federal excise tax on telephone services is included in the base on which the sales tax is charged. Thus the sales tax is computed on the total of: the charges for the telephone services plus any federal excise tax being charged.

3) Mobile Communication Services.

Charges to Minnesota customers for mobile communication services are subject to sales or use tax.

4) Hotel/Motel Telephone Charges.

Charges to a hotel or motel guest, for the actual cost of telephone services, are not taxable if the charges are separately stated on the guest's bill.

Many hotels use "call accounting systems" to track and determine the amount to charge guests for long distance telephone calls. Using these systems, the hotel does not know how much the actual telephone service costs until receiving the bill from the telephone company the following month. In this situation, the hotel must charge sales tax on the total amount billed to the hotel guests for the long distance telephone service. The hotel must also continue to pay sales tax on purchases of telephone service from the telephone company. However, the hotel may take a deduction from gross sales reported on their sales and use tax return for the amount billed to the hotel by the telephone company for the actual cost of long distance calls made by hotel guests. This practice is only allowed when the hotel can distinguish between telephone calls billed to guests and the hotel's own administrative costs for telephone service.

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Director, Appeals and Legal Services

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