

This notice was modified on April 13, 2009.

Department of Revenue

Modification of Revenue Notice # 05-03: Sales and Use Tax – Telecommunications Services – Voice over Internet Protocol (VoIP) Service

This Revenue Notice sets forth the department's position on the sales tax treatment of Voice over Internet Protocol (VoIP) services.

Statutory Authority

Minnesota Statutes, section 297A.61, subdivision 3(i), provides that the furnishing for consideration of telecommunications services constitutes a sale or purchase for purposes of the Minnesota sales tax. *Minnesota Statutes*, section 297A.61, subdivision 24, provides that "telecommunications services" means "the electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points, ~~by or through any electronic, satellite, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission, conveyance, or routing.~~"

Paragraph (c)(1)(3) of subdivision 24 provides that telecommunications services do not include "data processing and information services that allow data to be generated, acquired, stored, processed, or retrieved and delivered by an electronic transmission to a purchaser when the purchaser's primary purpose for the underlying transaction is the processed data or information services which are defined in paragraph (d) of subdivision 24 as "the offering of the capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information."

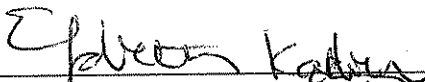
Department Position

VoIP is a telecommunications service as defined in *Minnesota Statutes*, section 297A.61, subdivision 24 that is subject to the Minnesota state sales and use tax. For purposes of the Minnesota sales and use tax, VoIP is not an information service since it uses computer processing applications solely for the management, control, or operation of a telecommunications system or the management of a telecommunications service. Although VoIP uses Internet protocol that allows the transmission of packeted data across a network, it merely serves to address and route the voice, data, or audio.

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