

TELEPHONE TAX REFUND AVAILABLE FOR 2006 TAX RETURNS

The Internal Revenue Service stopped requiring the collection of a federal excise tax on long-distance telephone service as of July, 2006, a tax first imposed in 1898 to finance the Spanish-American War. The IRS will refund federal excise tax paid on long distance charges after February 28, 2003, and before August 1, 2006. The refund must be requested on your 2006 Federal income tax returns.

How to calculate the refund.

Individuals and businesses have two methods they can use:

- Collect all telephone bills with statement dates from March 2003 through July 2006 and calculate the actual federal excise tax paid on long-distance charges, or
- Use a safe harbor formula.

Individual safe harbor.

The IRS has provided individual taxpayers with the option to use standard amounts based on the number of exemptions allowed to that taxpayer. Individual taxpayers can request a \$30 refund with one exemption, \$40 for two exemptions, \$50 for three exemptions and \$60 for four or more exemptions.

Business safe harbor formula.

Businesses can figure their refund amounts by comparing the April 2006 and September 2006 bills to determine the percentage of their telephone expenses attributable to the long-distance excise tax. They should use all telephone bills (main office line, fax, mobile, etc.).

First figure the telephone tax as a percentage of the total April 2006 telephone bills and the September 2006 telephone bills. The difference between these two percentages should then be applied to each telephone bill with statement dates after February 28, 2003 and before August 1, 2006. If the business cannot locate all of the phone bills it can use the amounts reported on its income tax returns for each year, prorating the expense amounts when any part of the tax year falls outside of the refund period.

If the formula is used, the refund is capped at 2 percent of the total telephone expenses for businesses and tax-exempt organizations with 250 or fewer employees. The refund is capped at 1 percent for those with more than 250 employees. The number of employees is determined based on the pay period that includes June 12, 2006.

Example of Business Excise Tax Computation.

If a business with 5 employees has an April 2006 telephone bill of \$1,000, which includes federal telephone excise tax of \$28, the tax percentage is 2.8 percent. If the September 2006 bill is \$1,100 including federal telephone excise tax of \$16.50, the tax percentage is 1.5 percent. The business' long-distance excise tax percentage is 1.3 percent (2.8 percent for April minus 1.5 percent for September). The business multiplies 1.3 percent by its total phone expenses over the 41-month period to arrive at the amount of its refund.

What we need from your business to calculate the refund.

1. Your April 2006 and September 2006 telephone bills,
2. Total telephone bills paid for the following periods: March 2003 to December 2003, January 2004 to December 2004, January 2005 to December 2005 and January 2006 to July 2006, OR
3. Actual telephone charges and federal long distance tax paid by month from March 2003 to July 2006.

Credit for Federal Telephone Excise Tax Paid

Department of the Treasury
Internal Revenue Service

▶ See the separate instructions.
▶ Attach to your income tax return.

2006
Attachment
Sequence No. **63**

Name(s) as shown on your income tax return

Identifying number

Enter the federal telephone excise tax billed during each period as listed in column (a) of lines 1–14 below.

By filing this form, you are certifying that you (1) have not received from your service provider a credit or refund of the tax paid on long distance service or bundled service billed after February 28, 2003, and before August 1, 2006, and (2) will not ask your provider for a credit or refund or have withdrawn any request submitted to the provider for a credit or refund.

Caution. See the instructions for explanations of the services that qualify for a credit or refund of the federal telephone excise tax.

Amount of federal excise tax on long distance or bundled service only

(a) Bills dated during:	(b) Long distance service	(c) Bundled service	(d) Tax credit or refund (add columns (b) and (c))	(e) Interest (see instructions)
1 March, April, and May 2003	\$	\$	\$	\$
2 June, July, and August 2003				
3 September, October, and November 2003				
4 December 2003; January and February 2004				
5 March, April, and May 2004				
6 June, July, and August 2004				
7 September, October, and November 2004				
8 December 2004; January and February 2005				
9 March, April, and May 2005				
10 June, July, and August 2005				
11 September, October, and November 2005				
12 December 2005; January and February 2006				
13 March, April, and May 2006				
14 June and July 2006				
15 Add lines 1–14 in columns (d) and (e)			\$	\$
16 Total credit or refund requested. Add columns (d) and (e) on line 15. Enter here and on Form 1040, line 71; Form 1040A, line 42; Form 1040EZ, line 9; Form 1040EZ-T, line 1a; Form 1040NR, line 69; Form 1040NR-EZ, line 21; Form 1120, line 32g; Form 1120-A, line 28g; Form 1120S, line 23d; Form 1041, line 24f; Form 1041-N, line 17; Form 1065, line 23; Form 990-T, line 44f; or the proper line of other returns ▶				\$

Paperwork Reduction Act Notice. We ask for the information on Form 8913 to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 8913 will vary depending on individual circumstances. The estimated burden for individual taxpayers filing Form 8913 is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file Form 8913 is shown below.

Recordkeeping	13 hr., 37 min.
Preparing and sending the form to the IRS	13 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.