

**Illinois Department of Revenue
Regulations**

Title 86 Part 495 Section 495.100 Meaning of "Gross Charges"
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**TITLE 86: REVENUE
CHAPTER I: DEPARTMENT OF REVENUE**

**PART 495
TELECOMMUNICATIONS EXCISE TAX**

Section 495.100 Meaning of "Gross Charges"

- a) *"Gross charge" means the amount paid for the act or privilege of originating or receiving telecommunications in this State and for all services and equipment provided in connection therewith by a retailer, valued in money, whether paid in money or otherwise, including cash, credits, services and property of every kind or nature, and shall be determined without any deduction on account of the cost of those telecommunications, the cost of materials used, labor or service cost or any other expense whatsoever. (Section 2(a) of the Telecommunications Excise Tax Act (the Act) [35 ILCS 630/2(a)] A retailer may provide services to customers that are not provided in connection with originating or receiving telecommunications. If those services are not necessary for or directly related to the retailer's provision of telecommunications to customers and the charges for the services are disaggregated and separately identified from other charges, the charges need not be included in "Gross charges". Without limitation, examples of services not included in "Gross charges" are directory advertising; specialized designing and/or engineering services; specialized security measures; and consulting services.*

- b) *"Gross charges" shall not include charges for customer equipment, including equipment that is leased or rented by the customer from any source, wherein those charges are disaggregated and separately identified from other charges (Section 2(a)(4) of the Act). Customer equipment includes, but is not limited to, all items generally classified as customer equipment or terminal equipment, such as telephone instruments and station sets, dialers, modems, private branch exchanges (PBXs), inside wiring, facsimile machines, pagers and non-electronic associated items such as documentation, manuals and furniture. Items of customer equipment, including maintenance and miscellaneous services, may be leased, rented or sold to one customer or a group of customers without being included in the gross charges, but will be subject to retailer's occupation or use taxes. To be exempt, the charges for customer equipment must be disaggregated and separately identified from other charges in the books and records of the retailer.*

- c) *"Gross charges" does not include charges for the storage of data or information for subsequent retrieval or charges for the processing of data or information intended to change its form or content (Section 2(a)(3) of the Act). Charges for answering services, for example, whether provided electronically or by live operators, represent charges for the storage of information or data for subsequent retrieval, and are not subject to tax, provided that these charges, if provided in connection with taxable telecommunications, are disaggregated and separately identified in the books and records of the retailer. Charges for automated data storage, retrieval and processing services or for the use of*

computer time or other equipment are not included in gross charges. Automated information retrieval or data processing charges are not included in gross charges. For example, a customer who accesses an on-line computer data base would not be subject to tax on the charge for the data processing or inquiry, but would be subject to tax on the charge for the transmission of the data. If a telecommunications retailer provides both transmission and data processing services, the charges for each must be disaggregated and separately identified in the books and records of the retailer.

- d) *Value added services in which computer processing applications are used to act on the form, content, code and protocol of the information for purposes other than transmission* are exempt (Section 2(c) of the Act). For example, the charges for computer data, protocol conversions that permit computers to exchange data, no matter which languages or protocols a computer's out-put may be in, and packet-switching, which groups data into packets for efficiency of transmission, would be exempt.
- e) Advertising revenue either from online directory sales (e.g., yellow pages) or from message additions to telecommunications service are not included in gross charges. For example, revenues from an advertising message preceding a time/weather call are not included in gross charges.
- f) Contributions to a telethon fund-raising campaign are not included in gross charges.
- g) Gross charges shall include, but are not limited to, charges for unlisted or unpublished numbers, operator assistance, directory information, call-waiting, call-forwarding, and burglar alarm services provided by telecommunications retailers.
- h) A caller located in Illinois who calls a 900 number and receives a billing for that call at his or her service address will have made a call subject to Telecommunications Excise Tax. The invoice to the caller for a 900 number call need not separately state the line charge and tax specifically. However, the telecommunications retailer is responsible for remitting the tax due on the line charge.
- i) Gross charges shall include the transmission charges for premium services. Time/weather, gab line/party line and other public announcement services of information and entertainment, and charges for the message content or information of those services, are not included in gross charges.

EXAMPLE: A call to a 900 code number is made to register an opinion in a poll. The caller is billed \$1.00. \$.80 is the transmission charge. \$.80 is included in gross charges.

- j) Charges for billing and collection received by telecommunications retailers from persons selling services or products to the telecommunications retailer's customers, which are billed and collected by the telecommunications retailer, are not included in gross charges.

EXAMPLE: A call to a 900 code number to sell a product is billed by the telecommunications retailer as follows:

\$25.00 service charge to caller for product or service

\$.30 call charge (15¢ call, 15¢ billing and collection)

\$.15 billing and collection charge is not included in gross charges

\$25.00 is not included in gross charges

\$.15 is included in gross charge

- k) Billing and collections charges paid by persons selling services or products to telecommunications retailer's customers or billing and collections charges paid by telecommunications retailers to credit card companies whose holders have charged calls are not includable in gross charges.
- l) Taxes imposed on consumers for community 911 service, lifeline service or other services required by regulatory authorities or government are not includable in gross charges.
- m) Generally, persons that provide customers access to the Internet (Internet Service Providers or ISPs) and who do not, as part of that service, charge customers for the line or other transmission charges that are used to obtain access to the ISP's server or other point of access, are not considered to be telecommunications retailers from these activities. This is the case so long as such ISPs do not, as part of their billing, charge customers for those line charges and instead pay their telecommunications suppliers all transmission costs that they incur in providing the Internet service. In this situation, an ISP's customer pays his or her telecommunications supplier for all transmission costs incurred while using the service. The single monthly fee charged by the ISP, which often represents a flat charge for a package of items including Internet access, e-mail, and electronic newsletters, would generally not be subject to tax. If, however, the ISP charges customers for line or other transmission charges, it should provide its telecommunications suppliers with Certificates of Resale and should collect and remit the tax. For example, if an ISP provides customers with Internet access, as described in this subsection, but also provides customers the use of a 1-800 service to access the ISP, and separately assesses customers per minute charges for the use of the 1-800 service, the ISP is considered a telecommunications retailer and incurs Telecommunications Excise Tax on the charges made for the 1-800 service. If the charges are not disaggregated as provided in subsection (c), all charges are subject to the Telecommunications Excise Tax.
- n) *"Gross charges" for private line service shall include:*
 - 1) *charges imposed at each channel point within this State;*
 - 2) *charges for the channel mileage between each channel point within this State; and*
 - 3) *charges for that portion of the interstate inter-office channel provided within Illinois. Charges for that portion of the interstate inter-office channel provided in Illinois shall be determined by the retailer as follows:*
 - A) *For interstate inter-office channels having 2 channel termination points, only one of which is in Illinois, tax may be imposed on 50% of the total charge imposed. For example, tax would be imposed on 50% of the total*

charge for a private line with one termination point in Chicago and one termination point in San Francisco.

- B) *For interstate inter-office channels having more than 2 channel termination points, one or more of which are in Illinois, tax may be imposed on an amount equal to the total charge multiplied by a fraction, the numerator of which is the number of channel termination points within Illinois and the denominator of which is the total number of channel termination points.* For example, Illinois would receive tax on 60% of the total charge for a private line that had 3 termination points in Illinois, 1 termination point in New York and 1 termination point in Los Angeles. Using the same apportionment rule, New York and Los Angeles would each receive tax on 20% of the total charge.
- C) Tax may be imposed using any *other method that reasonably apportions the total charges for interstate inter-office channels among the states in which channel termination points are located.* (Section 2(a) of the Act) For instance, the Illinois mileage of the channel could be calculated by determining a fraction, the numerator of which is the actual measured Illinois miles of that channel and the denominator of which is the actual measured route miles of the entire channel. If it is impossible for a retailer to measure actual route miles, a method that accurately approximates the Illinois route miles of an interstate inter-office channel and accurately approximates the route miles of the entire channel can be used (e.g., the use of straight-line air miles). Any method of approximation used by a telecommunications provider shall be subject to verification by the Department.

(Source: Amended at 42 Ill. Reg. 19044, effective October 3, 2018)