



## Change in Tax on Prepaid Calling Arrangements

## Informational Bulletin

September 2000

Glen L. Bower  
Director of Revenue

For information  
or forms...

- ◆ Call us at:  
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- ◆ Call our TDD  
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To: Telecommunications Providers

Beginning January 1, 2001, prepaid telephone calling arrangements, which are most commonly sold as prepaid telephone calling cards, and the recharges of these cards or other arrangements will be considered tangible personal property. The receipts from these sales will be subject to sales tax.

What is a "recharge?"

The term "recharge" means the purchase of additional prepaid telephone or telecommunications services. The purchaser may or may not acquire a different access number or authorization code.

What is a "prepaid telephone calling arrangement?"

The term "prepaid telephone calling arrangement" means

- ◆ your customer has paid you for telephone or telecommunications services in advance, and
- ◆ those services enable the origination of one or more intrastate, interstate, or international telephone calls or other telecommunications, and
- ◆ access to the service is by either manually or electronically dialing an access number, authorization code, or both, and
- ◆ unless the card is recharged, no further service is provided once the prepaid amount of service has been consumed.

**Note:** Prepaid telephone calling arrangements do **not** include an arrangement where the service provider reflects the amount of the purchase as a credit on an account for a customer under an existing subscription plan. These plans continue to be taxed under the Telecommunications Excise Tax Act.

How do I report receipts and tax collected from the sales of prepaid telephone calling cards, other arrangements, and recharges?

If you are

- ◆ currently registered as a retailer, report your receipts and tax collected from these sales on Form ST-1, Sales and Use Tax Return, in the same manner as your other retail sales of general merchandise.
- ◆ **not** currently registered as a retailer, you must register with us by filing Form NUC-1, Illinois Business Taxpayer Application. After registering, you will receive information on how to complete Form ST-1, Sales and Use Tax Return.

