

May 3, 2007

Telephone Excise Tax Refunds

Tax exempt organizations that paid telephone excise tax are eligible for a refund, to be claimed on their 2006 IRS returns. You are probably well aware of this, but with the May 15 filing date for calendar year exempt organizations rapidly approaching, some detailed information might be of help to you.

In its news releases, the IRS has said:

A tax exempt organization is eligible to request a refund of federal telephone excise taxes paid on long distance or bundled service (local and long distance service provided under a plan that does not separately state the charge for local service) – billed after February 28, 2003 and before August 1, 2006. The telephone excise tax refund is a one time payment available on the 2006 income tax return, designed to refund the previously collected long distance federal excise taxes.

Tax exempt organizations may request a refund using either (1) the actual amount of refundable long-distance telephone excise taxes paid, or (2) a formula the IRS has developed to estimate taxpayers' refunds. To use the formula, multiply total telephone expenses for the 41 months in the refund period (March 2003 through July 2006) by a percentage equal to the percentage of tax paid on April 2006 telephone bill minus percentage of tax paid on September 2006 telephone bill. The [instructions](#) to Form 8913, Credit for Federal Excise Tax Paid, contain a worksheet on pages 3 and 4 that you may find helpful.

Note: The percentage of telephone expenses that is refundable has certain limitations, including the number of employees in the organization and a cap on the percentage to apply to total phone expenses. The formula is explained in more detail on the IRS website, www.irs.gov.

You can request this special tax refund by filing [Form 990-T](#), Exempt Organization Business Income Tax Return, and attaching [Form 8913](#), Credit for Federal Telephone Excise Tax Paid. IRS has added a single line (44f) to the Form 990 T to make it easier to request this refund.

Although generally used to report unrelated business income tax, filing Form 990 T solely to request a telephone excise tax refund does not mean that an organization will owe unrelated business income tax.

Please click [here](#) for the formal notice from the IRS, containing very detailed instructions for all taxpayers, including exempt organizations.



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