

**Happy New Year**

## **TAX LETTER**

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### **Telephone Tax Refund To Every One by IRS**

**Good News !** Sometimes in November 2006, the IRS made an announcement that they have conceded to a ruling regarding Code Section 4252(b)(1). Section 4252(b)(1) is the specific Internal Revenue Code which governs the collection of telephone taxes by the IRS. For all telephone communications which a toll charge is based on DISTANCE, the IRS can collect a phone tax under Section 4252(b)(1). However, the IRS can not assess and/or collect any tax for any telephone communications for which the charges varied with elapsed of TIME only.

Since the IRS collected this telephone tax for a period after February 28, 2003 and before August 1, 2006, the IRS must make a refund to all citizens and businesses in the United States. Normally, claiming certain tax refund paid in past years, a formal refund claim must be filed by the taxpayer substantiated by pertinent document. This will be a monumental task for both the taxpaying citizens and the IRS. Therefore, the IRS came up with the following simplified “safe harbor” procedure for claiming the refund.

#### **For individuals:**

If you agreed with the following refund schedule, you do not have to do anything. All you need to do is to “check” an appropriate box on your 2006 Form 1040 (individual income tax return). You, then, will receive a **one-time only** tax refund as follows:

- \$ 30 for a taxpayer filing a 2006 return with one personal exemption
- \$ 40 for a taxpayer filing a 2006 return with two personal exemptions
- \$ 50 for a taxpayer filing a 2006 return with three personal exemptions
- \$ 60 for a taxpayer filing a 2006 return with four or more personal exemptions

If you disagreed with the above refund schedule, you may proceed to support as much deduction/refund as you can by filing normal refund claims based on actual records year by year.

#### **For Businesses and tax-exempts:**

If you agreed with the IRS, you may use the following simplified formula to calculate and claim your refund. The formula consists of 3 elements, namely A, B and C, explained as follows.

A = For the month April 2006, total phone federal taxes, including local and long distance, as a percentage (%) of total April 2006 phone bill expenses.

B = For the month June 2006, total phone federal taxes for local services as a percentage (%) of total June 2006 phone bill expenses.

C = Cumulative total phone bill expenses from March 1, 2003 to July 31, 2006.

The total amount of simplified refund for business and exempted organizations will be equal to  $(A-B) \times C$ . For example,  $A = 2.5\%$ ,  $B = 1.0\%$ ,  $C = 50,000$ , then, total allowed refund under this simplified method will be  $= (2.5\% - 1.0\%) \times \$50,000 = \$750.00$ .

**Caution:**

(1) For business and Exempt Organizations with total number of paid employees up to 250 persons, the refund percentage ratio will be 2.0% maximum. For business and exempt organizations with total number of paid employees exceeding 250, the refund percentage ratio will be 1.0% maximum.

(2) For business and exempt organizations not in business or not in operation from April 2006 to September 2006, the simplified formula can not be used. They must calculate their refund figures by ordinary, actual method.