VIRGINIA ASSOCIATION OF LOCAL TAX AUDITORS

V A L T A

MEMBERSHIP MEETING AND PRESENTATIONS

AUDITING CONSIDERATIONS
FOR
TELEGRAPH & TELEPHONE COMPANIES

BPOL, LOCAL UTILITY, AND E-911 TAXES

Presented by
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TELEGRAPH & TELEPHONE COMPANIES

COMPLEX AUDIT WITH COMPLEX ISSUES

- ✓ AUTHORITY AND BASIS DIFFERENT FOR EACH TAX
- ✓ REQUIRES SOME FAMILIARITY WITH INDUSTRY TERMINOLOGY
- ✓ ONE OF THE BIG QUESTIONS: WHICH REVENUES ARE TAXABLE?
- ✓ ONE OF THE BIG PROBLEMS: LARGE CORPORATIONS WITH NO P&L BY LOCALITY

BPOL TAX AUTHORITY

§ 58.1-3731. Certain **public service corporations**; rate limitation. Every county, city or town is hereby authorized to impose a license tax, in addition to any tax levied under Chapter 26 (§ 58.1-2600 et seq.) of this title, on (i) telephone and telegraph companies; (ii) water companies; and (iii) heat, light and power companies (except electric suppliers, gas utilities and gas suppliers as defined in § 58.1-400.2 and pipeline distribution companies as defined in § 58.1-2600) at a rate not to exceed one-half of one percent of **the gross receipts of such company accruing from sales to the ultimate consumer in such county, city or town.** However, **in the case of telephone companies, charges for long distance telephone calls shall not be included in gross receipts for purposes of license taxation**. After December 31, 2000, the license tax authorized by this section shall not be imposed on pipeline distribution companies as defined in § 58.1-2600 or on gas suppliers, gas utilities or electric suppliers as defined in § 58.1-400.2, except upon gross receipts for calendar year 2000 as provided in §§ 58.1-2901 D and 58.1-2905 D.

UTILITY TAX AUTHORITY

§ 58.1-3812. Telegraph and telephone companies. **(NOT THE COMPLETE CODE SECTION**)

"Gross charges" means, subject to the exclusions of this section, **the amount charged or paid for the taxable purchase of local telecommunication services**. **However**, ***"gross charges" shall not include the following***:

1. Charges or amounts paid that vary based on the distance and/or elapsed transmission time of the communication that are separately stated on the consumer's bill or invoice.

2. Charges or amounts paid for customer equipment, including such equipment that is leased or rented by the customer from any source, if such charges or amounts paid are separately identifiable from other amounts charged or paid for the provision of local telecommunication services on the service provider's books and records.

3. Charges or amounts paid for administrative services, including, without limitation, service connection and reconnection, late payments, and roamer daily surcharges.

4. Charges or amounts paid for **special features that are not subject to taxation under § 4251 of the Internal Revenue Code of 1986**, as amended.

5. Charges or amounts paid that are (i) the tax imposed by § 4251 of the Internal Revenue Code of 1986, as amended or (ii) any other tax or surcharge imposed by statute, ordinance or regulatory authority.

6. Bad debts.

E-911 TAX AUTHORITY

§ 58.1-3813.1. Local tax for enhanced 911 service; definitions. **(NOT THE COMPLETE CODE SECTION)**

A. As used in this section and § 58.1-3813.2, unless context requires a different meaning:

"Automatic location identification" or "**ALI**" means a telephone network capability that enables the automatic display of information defining the geographical location of the telephone used to place a wireline 9-1-1 call.

"Automatic number identification" or "**ANI**" means a telephone network capability that enables the automatic display of the telephone number used to place a wireline 9-1-1 call.

"Board" means the Wireless E-911 Services Board established pursuant to § 56-484.13.

"**Enhanced 9-1-1 service" or "E-911" means a service consisting of telephone network features and PSAPs provided for users of telephone systems enabling such users to reach a PSAP by dialing the digits "9-1-1." Such service automatically directs 9-1-1 emergency telephone calls to the appropriate PSAPs by selective routing based on the geographical location from which the emergency call originated and provides the capability for ANI and ALI features.**

"Local exchange carrier" means any public service company or county, city or town granted a certificate to provide local exchange telephone service pursuant to Chapter 10.1 (§ 56-265.1 et seq.) of Title 56.

"Public safety answering point" or "**PSAP**" means a communications facility equipped and staffed on a twenty-four-hour basis to receive and process 911 calls.

B. Any county, city or town which has, singly or by joint agreement, established or will establish an enhanced 911 service may impose a special tax on the consumers of the telephone service or services provided by any corporation subject to the provisions of Chapter 26 (§ 58.1-2600 et seq.) of this title, not to exceed a monthly fee of three dollars. However, no such tax shall be imposed on federal, state and local government agencies or on consumers of CMRS, as such term is defined in § 56-484.12. Such tax shall be subject to the notification and jurisdictional provisions of § 58.1-3812.

C. The governing body of any county, city or town may exempt from payment of the tax any subscriber to individual telephone service who resides in a nursing home or similar adult care facility.

BASIS FOR TAX

- **BPOL TAX** On the gross receipts accruing from sales to the ultimate consumer in such county, city or town except charges for long distance telephone calls
- **UTILITY TAX** On the subscribers billing, the amount charged or paid for the taxable purchase of local telecommunication services except long distance, equipment rental / purchase, federal taxes and levies by state and local government, administrative charges such as connection/reconnection fees or late payment, and charges for features not taxable under § 4251 of the Internal Revenue Code of 1986, as amended. Rate prescribed by local ordnance.
- **E-911 TAX** On the service consisting of telephone network features and Public Safety Answering Points (PSAP) provided for users of telephone systems enabling such users to reach a PSAP by dialing the digits "9-1-1. Such service automatically directs 9-1-1 emergency telephone calls to the appropriate PSAPs by selective routing based on the geographical location from which the emergency call originated and provides the capability for ANI and ALI features. Rate prescribed by local ordnance.

TELEGRAPH & TELEPHONE COMPANIES

REQUIRES SOME FAMILIARITY WITH INDUSTRY TERMINOLOGY

- ✓ INDUSTRY JARGON IS USED TO DESCRIBE AND IDENTIFY SERVICES. YOU MUST BE FAMILIAR TO DETERMINE WHICH REVENUES ARE TAXABLE????
- ✓ POP, POT, POTS, POTV, SWITCHED & UNSWITCHED TELEPHONY AND INBOUND OR OUTBOUND SERVICE…????????
- ✓ NEWTON’S TELECOM DICTIONARY---GET IT!

TELEGRAPH & TELEPHONE COMPANIES

WHICH REVENUES ARE TAXABLE ?

- AUTHORITY AND BASIS DIFFERENT FOR EACH TAX --- STATE AND FEDERAL CODES APPLY
- **IRS Publication 510 EXCISE TAXES** COMMUNICATIONS TAX EXEMPTIONS
- YOU MUST OBTAIN A DETAILED CHART OF REVENUE ACCOUNTS WITH SUB-ACCOUNTS AND THEIR DEFINITIONS

TELEGRAPH & TELEPHONE COMPANIES

LARGE CORPORATIONS WITH NO LOCALITY P&L

- ✓ YOU MUST VERIFY LOCAL ADDRESSES IN THEIR SYSTEM TO DETERMINE IF THEY ADEQUATELY REFLECT YOUR LOCALITY AND YOUR TAX RATE
- ✓ YOU MUST BE ABLE TO TRACE APPORTIONMENT OF REVENUE FACTORS TO ALLOCATE REVENUE WHERE SERVICES ARE SHARED BY MULTIPLE LOCALITIES
- ✓ PUBLIC SERVICE CORPORATIONS PROPERTY ISSUES SHOULD STILL BE ADDRESSED

ANNUAL TAX REPORT OF TELECOMMUNICATIONS COMPANIES TO THE STATE CORPORATION COMMISSION

- REPORT FORM FILED BY TELECOM COMPANIES IS ON THE **STATE CORPORATION COMMISSION** WEBSITE: http://www.state.va.us/scc/division/pst/forms.htm

- **STATE CORPORATION COMMISSION** DISTRIBUTES AN INDIVIDUAL REPORT TO LOCALITIES FOR ALL PUBLIC SERVICE CORPORATIONS IN THEIR JURISTICTION LISTING THE COMPANIES ASSETS BY CLASS AND LOCATION

ANNUAL TAX REPORT OF TELECOMMUNICATIONS COMPANIES TO THE STATE CORPORATION COMMISSION

(ALPHA LISTING BY CITIES, COUNTIES, AN D TOWNS WHERE ASSETS ARE LOCATED)

b. Please furnish the cumulative amount of Contribution for each Plant Account as of January 1.

Account	Amount of Contribution
Buildings	$
Central Office Equipment	
Station Apparatus	
Public Telephone Equipment	
Pole Line	
Aerial Cable	
Underground Cable	
Buried Cable	
Submarine Cable	
Coaxial Cable	
Aerial Wire	
Underground Conduit	
Furniture and Office Equipment	
Other Communication Equipment	
Autos and Trucks	
Work Equipment	
Other Property not included above	
TOTAL	$

ANNUAL TAX REPORT OF TELECOMMUNICATIONS COMPANIES TO THE STATE CORPORATION COMMISSION

(TOTAL STATE REVENUE BY CLASS OF RECEIPTS NOT BROKEN DOWN BY LOCALITY)

STATEMENT OF GROSS RECEIPTS SCC ID#

Statement showing the Gross Receipts of Telecommunications Companies in the Commonwealth of Virginia for the year ending **December 31, 2002**, subject to the Minimum Tax and to the Special Regulatory Revenue Tax pursuant to Title 58.1, Chapter 3, Article 10, and Chapter 26, Article 5, Code of Virginia. (All work papers and financial operating reports or forms should be filed to verify any revenue reported on this page.)

	CLASS OF RECEIPTS	GROSS RECEIPTS SUBJECT TO MINIMUM TAX	GROSS RECEIPTS SUBJECT TO SPECIAL REVENUE TAX
	Local Network Services Revenues		
5001	Basic Area Revenue		
5002	Optional Extended Area Revenue		
5003	Cellular Mobile Service Revenue		
5004	Other Mobile Service Revenue		
5000	Total Basic Local Service Revenue		
5010	Public Telephone Revenue		
5040	Local Private Line Revenue		
5050	Customer Premises Revenue		
5060	Other Local Exchange Revenue		
5069	Other Local Exchange Revenue Settlements		
	Total Local Network Services Revenues		
	Network Access Services Revenues		
5081	End User Revenue		
5082	Switched Access Revenue		
5083	Special Access Revenue		
5084	State Access Revenue		
5080	Total Network Access Revenue		
	Long Distance Network Services Revenues		
5100	Long Distance Message Revenue		
5111	Long Distance Inward-Only Revenue		
5112	Long Distance Outward-Only Revenue		
5110	Total Unidirectional Long Distance Revenue		
5121	Subvoice Grade Long Distance Private Network Revenue		
5122	Voice Program Grade Long Distance Private Network Revenue		
5123	Audio Program Grade Long Distance Private Network Revenue		
5124	Video Program Grade Long Distance Private Network Revenue		
5125	Digital Transmission Long Distance Private Network Revenue		
5126	Long Distance Private Network Switching Revenue		
5128	Other Long Distance Private Network Revenue		
5129	Other Long Distance Private Network Revenue Settlements		
5120	Total Long Distance Private Network Revenue		
5160	Other Long Distance Revenue		
5169	Other Long Distance Revenue Settlements		
	Total Long Distance Network Services Revenues		

	CLASS OF RECEIPTS (CONT'D)
	Miscellaneous Revenues
5230	Directory Revenue
5240	Rent Revenue
5250	Corporate Operations Revenue
5261	Special Billing Arrangement Revenue
5262	Customer Operations Revenue
5263	Plant Operations Revenue
5264	Other Incidental Regulated Revenue
5269	Other Revenue Settlements
5260	Total Miscellaneous Revenue
5270	Carrier Billing and Collection Revenue
5280	Nonregulated Operating Revenue
	Total Miscellaneous Revenues
	Telecommunications Relay Service Surcharge
	Misc. Income (Sales of Customer Provided Equipment - Gross)
	Total Gross Receipts
	Deductions:
	Unbundled Network Facilities
	Completion, Origination or Interconnection of Telephone Calls with Taxpayer's Network
	Transport of Telephone Calls over Taxpayer's Network
	Taxpayer's Telephone Services for Resale
	Revenue Billed on behalf of a Telephone Company or Person which are later paid to that C
	Total
	E-911 Wireless Service Only (Section 56-484.10)
	Video Programming (Special Tax Deduction Only)
	Pay Telephone Revenue OTHER THAN LINE CHARGE (Special Tax Only)
	Interstate Revenue Long Distance
	Interstate Telegraph Commissions
	Uncollectible Operating Revenues
	Amount actually written off
	Less: collections of amounts previously written off
	Net Uncollectible
	Less: Interstate Uncollectible Revenues
	Total: Deductible Uncollectible Revenues
	Total Deductions
	Total Taxable Receipts

ANNUAL TAX REPORT OF TELECOMMUNICATIONS COMPANIES TO THE STATE CORPORATION COMMISSION

(ASSETS SUBJECT TO MERCHANTS CAPITAL REPORTED BY LOCALITIES WHERE ASSETS STORED)

MERCHANTS' CAPITAL -- CLASS 4

Each company or person engaging in the sale of accessories or other merchandise in connection with its business must return their Merchants' Capital on this form. Merchants' Capital must be reported in the locality in which it is stored. All inventories and returns with reference to Merchants' Capital shall be as of the beginning of business on January First of the tax year.

Line Number	**Please list in alphabetical order Cities first followed by Counties and any Towns within those Counties.** City or County	District or Town	District Code	Description	Original Cost of Inventory in Stock	Assessed by the State Corporation Commission
	(A)	(B)	(C)	(D)	(E)	(F)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
	TOTALS					

TELEGRAPH & TELEPHONE COMPANIES
WHERE TO FIND RATES AND CHARGES

Virginia State Corporation Commission

Division of Communications

Tariff Links

You may view the complete tariffs of certain companies through their web sites. The Commission is providing these links only as a convenience and does not guarantee the accuracy of the information therein. *(Note: You will leave the Commission site when selecting one of the 24 links below.*)

- Verizon Virginia
- Verizon South
- Cavalier Telephone, LLC
- US LEC of Virginia, L.L.C.

AUDITING CONSIDERATIONS FOR TELEGRAPH & TELEPHONE COMPANIES

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