TELECOMMUNICATION COMPANIES AND LOCAL TAXES
October 8, 2004

I. Local taxes collectible from telecommunication companies – The Basics

A. Business License Tax – *Code of Virginia* §58.1-3731
B. Utility Tax – *Code of Virginia* §58.1-3812
C. E-911 Tax – *Code of Virginia* §58.1-3813.1
D. Public Rights-of-Way Use Fee – *Code of Virginia* §56-468.1
   a. May be in lieu of franchise agreement and adopted by the locality.

II. Auditing telecommunication companies for local taxes – A Few Key Points

A. Determine what services the service provider is providing.
B. Determine how the service provider derives at or tracks the gross receipts for the locality.
C. Review income line items of the general ledger or income statement for the locality; obtain detailed descriptions from the service provider to determine what is taxable for business license and utility tax purposes accordingly.
D. Sample customer bills to determine that the appropriate taxes (utility, E-911, & ROW) are being charged correctly.
E. Obtain a list of customers that may be exempt from such taxes, either by the state code or the local ordinance; verify and confirm such exemptions.
F. Determine that taxes collected by the service provider are being remitted to the locality via general ledger accounts and tracing procedures; obtain an understanding of how the service provider accounts for thresholds and items not included as gross charges.

III. VA AG & Tax Department Opinions

A. AG Opinion 03071990, Utility Tax; Subscriber Line Charge
B. AG Opinion 05191995, BPOL Tax; Activities of Public Service Corporations
C. AG Opinion 99-015, BPOL Tax; Privilege Tax on Telephone Companies
D. AG Opinion 00-016, BPOL Tax, Utility Tax; Universal Service Charge
E. AG Opinion 00-066, BPOL Tax, Deduction for Long Distance Telephone Call Charges
F. Informal AG Opinion dated July 17, 2001, Utility Tax; Mobile Telephone Customer
G. AG Opinion 03-005, BPOL Tax; Section Headlines
H. Rulings of the Tax Commissioner 97-115, BPOL Tax; Public Service Corporations and Long Distance Charges
I. Rulings of the Tax Commissioner 04-6, BPOL Tax; Limited Partnerships and Resellers
J. Rulings of the Tax Commissioner 04-17, BPOL Tax; Cellular Company Definition

IV. Issues and experiences with telecommunication companies open for discussion