

Filing for Dollars: The Telephone Tax Refund

"In any moment of decision, the best thing you can do is the right thing. The worst thing you can do is nothing."

"I am only an average man but, by *George*, I work harder at it than the average man."

-- President Theodore Roosevelt, who commanded the Rough Riders in the Spanish-American War

In 1898 the U.S. Congress passed a luxury tax to pay for the Spanish-American War. This excise tax was billed to long-distance telephone service – then a great luxury – yet for 108 years the tax continued. In 2006 Congress stopped the tax and announced a partial refund.

This year is your only chance to get this refund. Here is how it works.

Q. What is the telephone tax refund?

It is a one-time payment to people who paid taxes on long distance calls during 41 months from March 1, 2003 through July 31, 2006. The tax stopped on August 1, 2006. Refunds of taxes paid before March 2003 are blocked by laws that set time limits for filing claims, called statutes of limitation.

The refund applies to any taxes on long distance calls from:

- Home phones;
- Cell phones;
- Internet service; and
- Voice Over Internet Protocol (VOIP) service.

Q. Who can get a phone tax refund?

Anyone who paid long distance taxes during any of those 41 months. If you are not filing a return, just file IRS form 1040EZ-T. You can file electronically. You don't need your phone bills to claim the standard refund.

Q. How do I know if I paid long distance taxes?

Look on your phone bills. If you no longer have them, call your phone company and ask if you paid long distance taxes between March 1, 2003 and July 31, 2006.

Q. How much is the refund?

That depends. You have two ways to figure the refund.

Method #1. You can take the flat, or standard, refund amount. Most people will do this. It is fast, and you don't need your phone bills. You just fill out one line on your regular tax return. The flat amount is based on how many people (exemptions) you claim on your income tax:

- 1 person = \$30
- 2 people = \$40
- 3 people = \$50
- 4 or more people = \$60

Method #2. You add up your actual long distance phone taxes. You must have your phone bills to do this. You can ask for a refund of long distance tax paid during the 41 months, or you can claim a refund for just part of that period.

Warning: This second method is not easy!

- Pay your phone company a fee to get any missing bills.
- Complete the detailed chart in IRS Form 8913 that divides tax bills into 14 sub-groups.
- Apply 14 different interest rates, each carried out 9 digits past the decimal point, to figure extra interest due.
- The IRS estimate of the time it will take to keep records, do calculations, and prepare forms: 13 hours and 50 minutes.

Method 1 is lookin' pretty good. Unless you paid heavy long distance taxes, you may choose to just take the standard amount and 'get 'r done.'

Teddy Roosevelt's first quote shown above is true for this refund: if you do nothing, you get nothing. His second quote suggests that hard work might get you more than the standard refund. Good luck!

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Note: This column is not intended to take the place of legal advice. All cases are different and need individual attention. Consult with a private attorney of your choice to review the facts and law specific to your case.

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