

Prepaid Wireless Calling Service 911 Surcharge

Notice #15-02

January 2015

**Highlights**

- *Effective January 1, 2015, the 911 surcharge on prepaid wireless calling service increased to \$1.16.*
- *Prepaid wireless includes prepaid wireless phone cards and prepaid cell phones.*
- *Retailers must collect the fee at the point of sale of each prepaid wireless calling service of \$10 or more that is subject to Tennessee sales tax.*
- *The fee is not subject to sales or business tax.*
- *The fee should not be collected on purchases for resale.*
- *The 911 fee must be separately stated.*
- *Changes in the sales and use tax return have been made for reporting and paying the prepaid wireless 911 surcharge.*

INTRODUCTION

This notice provides information about an increase in the 911 surcharge collected from consumers of prepaid wireless calling services.

Because of a change in the law, the 911 surcharge retailers collect from consumers on sales of prepaid wireless calling services that cost \$10 or more increases to \$1.16 from 53 cents. The 911 Funding Modernization and IP Transition Act of 2014 requires the fee increase.

DISCUSSION

The new emergency communications law imposes a uniform \$1.16 911 emergency surcharge on monthly communication services and prepaid wireless calling services. However, because the Department of Revenue only receives the surcharges on prepaid wireless calling services, this notice only addresses that surcharge.

Prepaid wireless calling service is a prepaid telecommunications service that provides the right to use a mobile wireless service. Examples include prepaid wireless phone cards, recharge or refill authorization codes, and prepaid cell phones or other prepaid wireless devices preloaded with airtime minutes. Prepaid long-distance calling cards are not considered prepaid wireless calling services.

The money collected from the increase in the surcharge will fund advancements in technology needed to provide Tennesseans with better emergency services.

Collecting the 911 Surcharge

Retailers collect the 911 surcharge from consumers at the time of the sale of prepaid wireless calling services. It is only collected on prepaid wireless sales of \$10 or more that are subject to the Tennessee sales tax. However, the surcharge is not included in the sales price, which is subject to sales and use tax, or gross receipts, which is subject to business tax.

All users of prepaid wireless calling services must pay the surcharge. Accordingly, the surcharge must be collected on every sale of prepaid wireless calling services, even if consumers, such as non-profits, claim a sales tax exemption. However, retailers may use valid sales and use tax resale certificate to purchase prepaid wireless calling services for resale without paying the surcharge. In such cases, the purchaser will be responsible for collecting the 911 surcharge from its retail customers.

Retailers must separately state the 911 surcharge on the invoice, receipt or other sales document given to the purchaser. If more than one separately priced prepaid wireless item is sold, each item is subject to the 911 surcharge. For example, if two prepaid wireless phone cards are sold to a consumer for \$20 each, the retailer must collect a 911 surcharge from the consumer in the amount of \$2.32 (\$1.16 for each retail sale).

Reporting the 911 Surcharge

Once collected, the 911 surcharge is reported and paid on the sales and use tax return (line 18) or the TV programming and telecommunications sales and use tax return (line 21). Retailers may keep three percent of the 911 surcharges that they collect as an administrative fee.

It is important to note that 911 surcharges collected from consumers of wireline and non-prepaid wireless telecommunications are not reported and paid to the Department of Revenue. Telecommunications service providers should not use the TV programming and telecommunications sales and use tax return to report and pay 911 surcharges collected on wireline and wireless telecommunications services that are not prepaid wireless calling services. Instead, the 911 surcharges on wireline and non-prepaid wireless services should be collected, reported, and paid directly to the Tennessee Emergency Communications Board. For additional information, visit <http://www.tn.gov/emergency/>.



References:

PC. 795 (2014)
T.C.A. § 7-86-103
T.C.A. § 7-86-128
T.C.A. § 67-6-102(65)

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the Department or your tax professional for further guidance.