

Prepaid Wireless Calling Services 911 Surcharge

Introduction

Effective January 1, 2015, the law changed to increase the 911 surcharge retailers collect from consumers on sales of prepaid wireless calling services to \$1.16 (from 53 cents). *See the 911 Funding Modernization and IP Transition Act of 2014.* Because of this law change, the 911 emergency surcharge is the same for prepaid wireless calling services and monthly communication services (wireline and non-prepaid wireless telecommunication services). This notice, however, only addresses the 911 surcharge on prepaid wireless calling services.¹

Prepaid Wireless Calling Services Defined

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 for purposes of the 911 surcharge.

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 are 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 certificates 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).

¹ Prior to July 1, 2017, the Department only received the 911 surcharge on prepaid wireless calling services. The surcharge on monthly communications services were reported and paid to the Tennessee Emergency Communications Board. However, for periods beginning July 1, 2017, the Department will begin collecting the surcharge on monthly communication services as well. See Important Notice 17-05 for more information on the 911 surcharge on monthly communication services.

Reporting the 911 Surcharge²

Once collected, the 911 surcharge on prepaid wireless calling is reported and paid on the sales and use tax return or the TV programming and telecommunications sales and use tax return.

Effective July 1, 2017, retailers may keep two percent of the 911 surcharges that they collect as an administrative fee (prior to this date, they were permitted to keep three percent).

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Tenn. Code Ann. § 7-86-128; Tenn. Code Ann. § 7-86-103; Tenn. Code Ann. § 67-6-102(65); Public Chapter 1047 (2016)

² This section was updated April 2017 to reflect the law changes regarding the amount retailers may keep as an administrative fee.