

## Prepaid Telephone Calling Cards

### Sales of Prepaid Telephone Cards and Authorization Codes Are Taxable<sup>1</sup>

Sales of prepaid telephone cards and authorization codes and prepaid wireless cards are sales of telecommunication services. The sales of these services are subject to the sales tax at the time of the sale of the card, or for authorization codes, upon recharge of the card. The retailer must collect the sales tax on sales made in Tennessee. No additional tax is due when the user of the calling card or authorization code accesses or receives the telecommunication service.

Although the sales of the prepaid cards and authorization codes are sales of telecommunication services, they are taxed at the regular state rate levied on the sale of tangible personal property and the applicable local option rate (or the standard 2.25% local tax rate for Tennessee sales by out-of-state dealers).

### Dealers of Prepaid Telephone Cards and Authorization Codes May Purchase the Telecommunication Services for Resale

Because the sale of the prepaid cards and authorization codes are sales of telecommunication services, dealers of prepaid telephone cards may purchase the telecommunication services associated with the cards on a resale certificate.

### For More Information

Visit [www.tn.gov/revenue](http://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. § 67-6-230(a); Tenn. Code Ann. § 67-6-102; Tenn. Code Ann. § 67-6-202

<sup>1</sup> This notice replaces the October 2000 sales and use tax notice concerning the taxation of sales of prepaid telephone calling cards.