

TELECOMMUNICATIONS

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YOU OWE TAX ON TELECOMMUNICATIONS IF: | You are engaged in the business activity of providing telecommunication services to consumers within the City of Avondale.

The tax is due to the City whether or not you added privilege tax to the charges for the services.

Transactions between related companies or person are taxable by the City of Avondale. See Avondale Tax Code Section 5-100 for the definition of a "Person," Section 13A-210 "Determination of gross income: transactions between affiliated companies or persons," and Section 13A5-220 "Determination of gross income: artificially contrived transactions."

TAX RATE | The Avondale tax rate is 2.5% of the telecommunications income.

COLLECTION OF TAX | You may choose to charge the tax separately on each sale, or include sales tax in your price.

If you over charge any tax to your customers, you must remit the excess tax to the city. If your price includes sales tax, you can compute how much of the total price is sales tax. You may deduct the total city, state, and county sales taxes from your gross receipts.

WHAT ARE TELECOMMUNICATION SERVICES? | Telecommunications services shall include:

- ▶ Two-way voice, sound, and/or video communication over a communications channel.
- ▶ One-way voice, sound, and/or video transmission or relay over a communications channel.
- ▶ Facsimile transmissions.
- ▶ Providing relay or repeater service.
- ▶ Providing computer interface services over a communications channel.
- ▶ Time-sharing activities with a computer accomplished through the use of a communications channel.

WHAT IS TELECOMMUNICATIONS INCOME? | Gross income from the business activity of providing telecommunication services to consumers within this City shall include:

- ▶ All fees for connection to a telecommunication system.
- ▶ Toll charges, charges for transmissions, and charges for others telecommunication services; provided that such charges relate to transmissions originating in this City and terminating in this State.
- ▶ Fees charged for access to or subscription to or membership in a telecommunication system or network.
- ▶ Charges for monitoring services relating to a security or burglar alarm system located within the City where such system transmits or receives signals or data over a communications channel.

WHAT TELECOMMUNICATION ACTIVITY IS EXEMPT FROM PRIVILEGE TAX?

- ▶ **Resale Telecommunication Services** | Gross income from sales of telecommunication services to another provider of telecommunication services for the purpose of providing the purchaser's customers with such service shall be exempt from the tax; provided, however, that such purchaser is properly licensed by the City to engage in such business.
- ▶ **Interstate Transmissions** | Charges by a provider of telecommunication services for transmissions originating in the City and terminating outside the State are exempt from the tax.
- ▶ **Prepaid Calling Cards** | Telecommunication services purchased with a prepaid calling card that are taxable under Section 13A-460 (Retail Sales) are exempt from the tax.
- ▶ **Internet Access Services** | Gross income from the sale of internet access services to the person's subscribers and customers are not taxable.

MOBILE EQUIPMENT | In cases where the customer is being provided telecommunication services to receiving/transmission equipment designed to be mobile in nature (for example, mobile telephones, portable handheld two-way radios, paging devices, etc.), the provider shall determine whether such customers are "within this city" as follows:

- ▶ by the billing address of the customer, provided that such address is a permanent residence or business location of the consumer within the State.
- ▶ in all other cases, the business location of the telecommunications provider.

This publication is for general information only about Transaction Privilege (Sales) Tax on income from contracting activities. This is an informal and nonbinding communication.

For complete details, refer to the City of Avondale Privilege & Excise Tax Code and related regulations. In case of inconsistency or omission in this publication, the language of the Tax Code will prevail. The transaction privilege tax is commonly referred to as a sales tax, however, the tax is on the privilege of doing business in Avondale and is not a true sales tax.