

CHAPTER 37
SIMPLIFIED MUNICIPAL TELECOMMUNICATIONS TAX

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37.01 **DEFINITIONS** *Amended, 10-7-3*

Terms used in this Chapter, whether capitalized or not, mean as follows:

Act: The Simplified Municipal Telecommunications Tax Act (35 ILCS 636/5-1 *et seq.*).

Amount paid: The amount charged to the taxpayer's service address in such the City regardless of where such amount is billed or paid.

Department: The Illinois Department of Revenue.

Gross charge: The amount paid for the act or privilege of originating or receiving telecommunications in the City and for all services and equipment provided in connection therewith by a retailer, valued in money whether paid in money or otherwise, including cash, credits, services and property of every kind or nature, and shall be determined without any deduction on account of the cost of such telecommunications, the cost of the materials used, labor or service costs or any other expense whatsoever. In case credit is extended, the amount thereof shall be included only as and when paid. Gross charges for private line service shall include charges imposed at each channel termination point within the City that has imposed a tax under this Chapter and charges for the portion of the inter-office channels provided within the City. Charges for that portion of the inter-office channel connecting 2 or more channel termination points, one or more of which is located within the jurisdictional boundary of the City, shall be determined by the retailer by multiplying an amount equal to the total charge for the inter-office channel by a fraction, the numerator of which is the number of channel termination points that are located within the jurisdictional boundary of the City and the denominator of which is the total number of channel termination points connected by the inter-office channel. Prior to January 1, 2004, any method consistent with this Chapter or other method that reasonably apportions the total charges for inter-office channels among municipalities in which channel termination points are located shall be accepted as a reasonable method to determine the taxable portion of an inter-office channel provided within a municipality for that period. However, gross charge shall not include any of the following:

1. Any amounts added to a purchaser's bill because of a charge made pursuant to: (i) the tax imposed by this Chapter, (ii) the tax imposed by the Telecommunications Excise Tax Act (35 ILCS 630/1 *et seq.*), (iii) the tax imposed by Section 4251 of the Internal Revenue Code, (iv) 911 surcharges, or (v) charges added to customers' bills pursuant to the

provisions of 220 ILCS 5/9-221 or 5/9-222 (the Public Utilities Act), as amended, or any similar charges added to customers' bills by retailers who are not subject to rate regulation by the Illinois Commerce Commission for the purpose of recovering any of the tax liabilities or other amounts specified in those provisions of the Public Utilities Act;

2. Charges for a sent collect telecommunication received outside of the City;
3. Charges for leased time on equipment or charges for the storage of data or information for subsequent retrieval or the processing of data or information intended to change its form or content. Such equipment includes, but is not limited to, the use of calculators, computers, data processing equipment, tabulating equipment or accounting equipment and also includes the usage of computers under a time-sharing agreement;
4. Charges for customer equipment, including such equipment that is leased or rented by the customer from any source, wherein such charges are disaggregated and separately identified from other charges;
5. Charges to business enterprises certified as exempt under Section 9-222.1 of the Public Utilities Act (220 ILCS 5/9-222.1) to the extent of such exemption and during the period of time specified by the Department of Commerce and Economic Opportunity..
6. Charges for telecommunications and all services and equipment provided in connection therewith between a parent corporation and its wholly owned subsidiaries or between wholly owned subsidiaries when the tax imposed under the Act has already been paid to a retailer and only to the extent that the charges between the parent corporation and wholly owned subsidiaries or between wholly owned subsidiaries represent expense allocation between the corporations and not the generation of profit for the corporation rendering such service;
7. Bad debts (bad debt means any portion of a debt that is related to a sale at retail for which gross charges are not otherwise deductible or excludable that has become worthless or uncollectible, as determined under applicable federal income tax standards; if the portion of the debt deemed to be bad is subsequently paid, the retailer shall report and pay the tax on that portion during the reporting period in which the payment is made);
8. Charges paid by inserting coins in coin-operated telecommunication devices; or
9. Amounts paid by telecommunications retailers under the Act.
10. Charges for nontaxable services or telecommunications if (i) those charges are aggregated with other charges for telecommunications that are taxable, (ii) those charges are not separately stated on the customer bill or invoice, and (iii) the retailer can reasonably identify the nontaxable charges on the retailer's books and records kept in the regular course of business. If the nontaxable charges cannot reasonably be identified, the gross charge from the sale of both taxable and nontaxable services or telecommunications billed on a combined basis shall be attributed to the taxable services or

telecommunications. The burden of proving nontaxable charges shall be on the retailer of the telecommunications.

Interstate telecommunications: All telecommunications that either originate or terminate outside this state.

Intrastate telecommunications: All telecommunications that originate and terminate within this state.

Person: Any natural individual, firm, trust, estate, partnership, association, joint stock company, joint venture, corporation, limited liability company, or a receiver, trustee, guardian, or other representative appointed by order of any court, the federal and state governments, including state universities created by statute, or any city, town, county or other political subdivision of this state.

Purchase at retail: The acquisition, consumption or use of telecommunications through a sale at retail.

Retailer: Means and includes every person engaged in the business of making sales at retail as defined in this Chapter. The Department may, in its discretion, upon application, authorize the collection of the tax hereby imposed by any retailer not maintaining a place of business within this state, who, to the satisfaction of the Department, furnishes adequate security to insure collection and payment of the tax. Such retailer shall be issued, without charge, a permit to collect such tax. When so authorized, it shall be the duty of such retailer to collect the tax upon all of the gross charges for telecommunications in this state in the same manner and subject to the same requirements as a retailer maintaining a place of business within this state. The permit may be revoked by the Department at its discretion.

Retailer maintaining a place of business in this state (or any like term): Means and includes any retailer having or maintaining within this state, directly or by a subsidiary, an office, distribution facilities, transmission facilities, sales office, warehouse or other place of business, or any agent or other representative operating within this state under the authority of the retailer or its subsidiary, irrespective of whether such place of business or agent or other representative is located here permanently or temporarily, or whether such retailer or subsidiary is licensed to do business in this state.

Sale at retail: The transmitting, supplying or furnishing of telecommunications and all services and equipment provided in connection therewith for a consideration, to persons other than the federal and state governments, and state universities created by statute and other than between a parent corporation and its wholly owned subsidiaries or between wholly owned subsidiaries for their use or consumption and not for resale.

Service address: The location of telecommunications equipment from which telecommunications services are originated or at which telecommunications services are received by a taxpayer. In the event this may not be a defined location, as in the case of mobile phones, paging systems, and maritime systems, service address means the customer's place of primary

use as defined in 35 ILCS 638/1 *et seq.* (the Mobile Telecommunications Sourcing Conformity Act). For air-to-ground systems and the like, service address shall mean the location of a taxpayer's primary use of the telecommunications equipment as defined by telephone number, authorization code, or location in Illinois where bills are sent.

Taxpayer: A person who individually or through his or her agents, employees or permittees engages in the act or privilege of originating or receiving telecommunications in the City and who incurs a tax liability as authorized by this Chapter.

Telecommunications: In addition to the meaning ordinarily and popularly ascribed to it, includes, without limitation, messages or information transmitted through use of local, toll and wide area telephone service, private line services, channel services, telegraph services, teletypewriter, computer exchange services, cellular mobile telecommunications service, specialized mobile radio, stationary two-way radio, paging service or any other form of mobile and portable one-way or two-way communications, or any other transmission of messages or information by electronic or similar means, between or among points by wire, cable, fiber optics, laser, microwave, radio, satellite or similar facilities. As used in this Chapter, private line means a dedicated non-traffic sensitive service for a single customer, that entitles the customer to exclusive or priority use of a communications channel or group of channels, from one or more specified locations to one or more other specified locations. The definition of telecommunications shall not include value added services in which computer processing applications are used to act on the form, content, code, and protocol of the information for purposes other than transmission. Telecommunications shall not include purchases of telecommunications by a telecommunications service provider for use as a component part of the service provided by such provider to the ultimate retail consumer who originates or terminates the taxable end-to-end communications. Carrier access charges, right of access charges, charges for use of inter-company facilities and all telecommunications resold in the subsequent provision of, used as a component of, or integrated into, end-to-end telecommunications service shall be non-taxable as sales for resale. Prepaid telephone calling arrangements shall not be considered telecommunications subject to the tax imposed under the Act. For purposes of this Chapter, prepaid telephone calling arrangements means that term as defined in 35 ILCS 120/2-27 (the Retailers' Occupation Tax Act).

37.02 **SIMPLIFIED MUNICIPAL TELECOMMUNICATIONS TAX IMPOSED** *Amended, 10-7-3*

A tax is hereby imposed upon any and all the following acts or privileges:

1. The act or privilege of originating in the City or receiving in the City intrastate telecommunications by a person at a rate of 6 percent of the gross charge for such telecommunications purchased at retail from a retailer. To prevent actual multi-municipal taxation of the act or privilege that is subject to taxation under this subsection, any taxpayer, upon proof that the taxpayer has paid a tax in another municipality on that event, shall be allowed a credit against any tax enacted pursuant to or authorized by this Section to the extent of the amount of the tax properly due and paid in the municipality that was not previously allowed as a credit against any other municipal tax.

2. The act or privilege of originating in the City or receiving in the City interstate telecommunications by a person at the rate of 6 percent of the gross charge for such telecommunications purchased at retail from a retailer. To prevent actual multi-state or multi-municipal taxation of the act or privilege that is subject to taxation under this subsection, any taxpayer, upon proof that the taxpayer has paid a tax in another state or municipality in this State on such event, shall be allowed a credit against any tax enacted pursuant to or authorized by this Section to the extent of the amount of such tax properly due and paid in such other state or such tax properly due and paid in a municipality in this State which was not previously allowed as a credit against any other state or local tax in this State..
3. The tax imposed by this Chapter is not imposed on such act or privilege to the extent such act or privilege may not, under the Constitution and statutes of the United States, be made the subject of taxation by the City.

37.03 COLLECTION OF TAX BY RETAILERS

A. The tax authorized by this Chapter shall be collected from the taxpayer by a retailer maintaining a place of business in this state and shall be remitted by such retailer to the Department. Any tax required to be collected pursuant to or as authorized by this Chapter and any such tax collected by such retailer and required to be remitted to the Department shall constitute a debt owed by the retailer to the state. Retailers shall collect the tax from the taxpayer by adding the tax to the gross charge for the act or privilege of originating or receiving telecommunications when sold for use, in the manner prescribed by the Department. The tax authorized by this Chapter shall constitute a debt of the taxpayer to the retailer until paid, and, if unpaid, is recoverable at law in the same manner as the original charge for such sale at retail. If the retailer fails to collect the tax from the taxpayer, then the taxpayer shall be required to pay the tax directly to the Department in the manner provided by the Department.

B. Whenever possible, the tax authorized by this Chapter shall, when collected, be stated as a distinct item separate and apart from the gross charge for telecommunications.

37.04 RETURNS TO DEPARTMENT

The tax imposed under this Chapter on telecommunication retailers shall be returned with appropriate forms and information as required by the Department pursuant to the 636/5-50 of the Act and any accompanying rules and regulations created by the Department to implement the Act.

37.05 RESELLERS

A. If a person who originates or receives telecommunications claims to be a reseller of such telecommunications, such person shall apply to the Department for a resale number. Such applicant shall state facts which will show the Department why such applicant is not liable for the tax authorized by this Chapter on any of such purchases and shall furnish such additional information as the Department may reasonably require.

B. Upon approval of the application, the Department shall assign a resale number to the applicant and shall certify such number to the applicant. The Department may cancel any number which is obtained through misrepresentation, or which is used to send or receive such telecommunication tax-free when such actions in fact are not for resale, or which no longer applies because of the persons having discontinued the making of resales.

C. Except as provided in this Chapter, the act or privilege of originating or receiving telecommunications in this state shall not be made tax-free on the ground of being a sale for resale unless the person has an active resale number from the Department and furnishes that number to the retailer in connection with certifying to the retailer that any sale to such person is non-taxable because of being a sale for resale.