

Corporation Tax Information Bulletin Relating to Gross Receipts Tax on International Telephone Messages and Estimated Payments

**Pennsylvania Department of Revenue
Issued January 28, 2005**

CORPORATION TAX BULLETIN 2005-01

INTERNATIONAL TELEPHONE MESSAGES ARE TAXABLE FOR GROSS RECEIPTS TAX PURPOSES WITH RESPECT TO TRANSACTIONS OCCURRING AFTER DECEMBER 31, 2003. ESTIMATED TAX PAYMENTS MAY REQUIRE ADJUSTMENT.

I. International Telephone Messages.

Unless exempted by law, gross receipts with respect to a telephone message that either originates or terminates within this Commonwealth and for which the charges for such a message are billed to a service address in this Commonwealth are taxable for gross receipts tax purposes although the message ends or begins in a foreign country or political subdivision thereof.

Due to the passage of Act 46 of 2003, certain telegraph or telephone messages transmitted in interstate commerce became subject to gross receipts tax with respect to transactions occurring after December 31, 2003. Section 1101(a)(2) of the Tax Reform Code of 1971, 72 P.S. 8101(a)(2) now reads in relevant part:

“... telegraph or telephone messages transmitted in interstate commerce where such messages originate or terminate in this State and the charges for such messages are billed to a service address in this State, ...”

For gross receipts tax purposes, the phrase “transmitted in interstate commerce” means between this Commonwealth and any other state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.

II. Estimated Gross Receipts Tax.

Act 46 also amended section 3003.3 of the Tax Reform Code, requiring gross receipts taxpayers to adjust their safe harbor base year amount for the changes to section 1101, as described above. As a result, the estimated tax payments due on March 15, 2004, and each March 15 thereafter, should include tax on interstate telegraph and telephone messages.

The schedule for estimated payments specified in section 1101(J), as amended, applies only to providers of mobile telecommunications services. For other taxpayers subject to gross receipts tax on telegraph and telephone messages, the full amount of estimated tax is due on March 15, 2004 and each March 15 thereafter.

If its estimated gross receipts tax payment for a taxable year beginning within calendar year 2004 did not include tax due on all taxable interstate telegraph and telephone messages, a taxpayer is required to adjust that payment and remit additional tax due to the Department.

Failure to adjust the estimated gross receipts tax amount could subject the taxpayer to the penalty for underpayment of estimated tax provided in section 3003.3.

For additional information please visit our website: www.revenue.pa.gov.