

City and County of Denver, Colorado

TAX GUIDE

Topic No. 75

TELECOMMUNICATIONS BUSINESS TAX

The telecommunications business tax is imposed upon Incumbent Local Exchange Carriers (ILEC) telecommunications businesses which required by law by the Colorado Public Utilities Commission (PUC) to provide local exchange service to general public customers in Denver. "Basic local exchange service" is defined by State Statute. The Telecommunications Business Tax:

- Is imposed at the rate of \$1.12 per month for each of the telecommunications company's accounts within the City to which a basic dial-tone line is provided;
- Is imposed directly upon the business, as opposed to being collected from its customers and held in trust; and
- Applies to all providers who are authorized by the PUC to offer local exchange service and who have general public customer accounts for that service in Denver.

While this tax is not directly imposed on the purchaser of telecommunications services, businesses providing taxable telecommunications services are allowed by State statute and PUC authorization to show the charge separately on their billings to customers.

The telecommunications business tax is due on the 20th day of the month immediately following the month for which tax is levied. The taxpayer, i.e. the telecommunications business, files a report indicating the number of accounts within the City and the calculation of tax due.

The telecommunications business tax is imposed for the purpose of raising revenue to support the City's operations. This tax is separate from and in addition to the City's general sales tax and emergency telephone charges (E911 charges) on telecommunications, which are imposed on the customer, collected by the provider, and applies to certain telecommunications services that originate and are charged to a telephone number or account located within the City.

EXAMPLES

1. ABC Telephone Company is an ILEC and required by the PUC to provide local exchange service. ABC is required to pay the telecommunications business tax for the dial tone line it provides to its retail (general public) customers in Denver.
2. DEF Company sells cellular phone services. DEF has an interconnection agreement with ABC Telephone Company, a provider of local exchange service. ABC is not required to pay the telecommunications business tax for its DEF account because DEF is not the general public; the sale to DEF is a wholesale sale.
3. DEF is not required to pay the telecommunications business tax on the cellular services it provides because cellular service is not a local exchange service regulated by the PUC.

4. XYZ Telephone Company provides long-distance service to customers whose accounts are in Denver. XYZ's customers directly receive local exchange service in Denver from ABC Telephone Company. XYZ is not required to pay the telecommunications business tax because long-distance service is not a local exchange service regulated by the PUC.

5. LMN Telephone Company provides long-distance service to customers whose accounts are in Denver. LMN also is authorized by the PUC to provide local exchange service in Colorado. LMN purchases local exchange service from Telephone Company and resells it to LMN's own customers in Denver. ABC is not required to pay the telecommunications business tax on the sale to LMN because it is a wholesale sale. LMN is required to pay the telecommunications business tax on all retail customer accounts for which it provides local exchange service in Denver.

6. RST Connection sells paging and voice messaging services to retail accounts in Denver. RST does not have to pay the Telecommunications Business Tax on the paging and voice messaging services it provides, whether or not it has an interconnection agreement with another telecommunications company, because paging and voice messaging services are not local exchange service regulated by the PUC.

RELATED TAX GUIDE TOPIC

Telephone and Telecommunication Services

RELATED GUIDE TOPIC

Emergency Telephone Charge

*DRMC Section 53-350 – Section 53-404. Telecommunications Business Tax

The complete Denver Tax Guide, the Denver Revised Municipal Code (DRMC), tax forms, and other related information, guides and forms are available on-line at www.denvergov.org/treasury.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF DRMC AND APPLICABLE RULES AND REGULATIONS.

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