

State and Federal governments are exempt from the Telecommunications Excise Tax Act. See 35 ILCS/2(k).

June 8, 2015

Dear Mr. XXXX:

This letter is in response to your letter dated March 19, 2015, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings (“PLRs”) are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department’s regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter (“GIL”) is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We receive revenues from the Universal Service Administration Company (USAC) through the Federal Lifeline Program. Our company discounts eligible customers’ monthly rate, and receives disbursements from USAC in return. Are the funds received from USAC taxable via excise tax, via telecommunications tax? Please advise.

**DEPARTMENT’S RESPONSE:**

The Telecommunications Excise Tax Act (35 ILCS 630/1 et seq.) (“Act”) imposes a tax upon the act or privilege of originating or receiving interstate or intrastate telecommunications by a person in Illinois at the rate of 7% of the gross charges for telecommunications purchased at retail from a retailer. This tax must be collected from persons by “retailers maintaining a place of business in Illinois.” 35 ILCS 630/5.

We cannot provide you with a specific answer without reviewing billing invoices. Please note, however, that State and Federal governments are exempt from the Telecommunications Excise Tax Act. See 35 ILCS/2(k). We do not have sufficient information regarding the manner in which the Federal Lifeline Program is administered by USAC, specifically with respect to the disbursement transactions, to provide a ruling.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department’s Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Cara Bishop  
Associate Counsel

CB:kd