



May 25, 2006  
js-4287

### **Treasury Announces End to Long-Distance Telephone Excise Tax**

WASHINGTON, DC – The U.S. Treasury Department today announced it is conceding the legal dispute over the federal excise tax on long-distance telephone service. The Department of Justice will no longer pursue litigation and the Internal Revenue Service (IRS) will issue refunds of tax on long-distance service for the past three years. Taxpayers will be able to apply for refunds on their 2006 tax forms, to be filed in 2007.

Treasury Secretary John Snow states, "Today is a good day for American taxpayers; it marks the beginning of the end of an outdated, antiquated tax that has survived a century beyond its original purpose, and by now should have been ancient history.

"The Federal Appeals courts have spoken across the board. It's time to `disconnect' this tax and put it on the permanent `do not call' list.

"In addition to ending the litigation, I would like to call on Congress to terminate the remainder of this antique tax by repealing the excise tax on local service as well."

#### Key Facts Regarding Tax Refunds:

- No immediate action is required by taxpayers.
- Refunds will be a part of 2006 tax returns filed in 2007.
- Refund claims will cover all excise tax paid on long-distance service over the last three years (time allowed given statute of limitations). Interest will be paid on refunds.
- The IRS is working on a simplified method for individuals to use to claim a refund on their 2006 tax returns.
- Refunds will not include tax paid on local telephone service, which was not involved in the litigation.
- Originally established in 1898 as a "luxury" tax on wealthy Americans who owned telephones, the federal excise tax on telephone calls is not compatible with today's modern information-age society.

- 30 -