

State of Rhode Island - Division of Taxation

Sales and Use Tax

Regulation SU 90-132

900 Telephone Service

The furnishing for a consideration of telecommunications service and the furnishing, rental or leasing of all equipment and all services pertaining or incidental thereto are subject to the Rhode Island sales or use tax.

"900 telephone service" is a telecommunications service when the product sought by an end user is an essential part of the transmission of an electromagnetic communication.

Examples of taxable 900 telephone services include opinion polls, prerecorded message services such as sports-line, dial-a-prayer, news-line, and conversation services such as teen-line and party-line. Here the 900 telephone services are subject to tax because the product sought (registering an opinion, listening to a pre-recorded message) is an essential part of an electromagnetic communication.

Examples of nontaxable 900 telephone service include interactive conversations in which an end user calls an attorney for legal advice or an end user pledges a donation to a charitable organization. In those instances the product sought (legal advice, pledging a donation) is not an essential part of the transmission of an electromagnetic communication.

A "900 sponsor" is a retailer who buys telecommunications service from a telephone/telecommunications company ("carrier") which enables an end user to call one or more telephone numbers of the 900 sponsor and hear prerecorded information or engage in individual or party-line conversations. The telecommunications service is either resold as part of another telecommunications service or used to sell other products or services.

If the carrier is selling a telecommunications service to a 900 sponsor who is reselling it as part of another telecommunications service (dial-a-prayer, sports-line, etc.), the charge by the carrier to the 900 sponsor is exempt as a sale for resale. When the 900 sponsor resells the telecommunications service, the total amount charged to the end user is subject to tax provided the call originates or terminates in this state and the charge for the telecommunications service appears on the bill of an end user located in this state. In such an event, the carrier that bills the end user is required to add and collect the sales tax on the total amount appearing on the end user's telephone bill.

If the carrier is selling a telecommunications service to a 900 sponsor which is not reselling the telecommunications service but is using it to sell other services, i.e., legal advice or is using it to sell tangible personal property, then there is no sale for resale. In those instances the entire charge from the carrier to the 900 sponsor is a taxable sale when the call originates or terminates in this state and the charge appears on the bill of a 900 sponsor located in this state.

A carrier that bills an end user located in this state is required to add and collect the tax on sales of tangible personal property made by sponsors to end users located in this state via 900 telephone services.

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