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Time Running Out to Claim Largest Refund in U.S. History Average Taxpayers and Small Businesses Owed Billions from Illegal Tax

The Refund and How to Get It

Billions of dollars of the largest refund in U.S. history have so far gone unclaimed by taxpayers and time is running out to make a claim before the April 17 tax filing deadline.

Last year, along with dropping an antiquated 3-percent excise tax on long-distance phone service, the government announced the refund of all excise taxes paid on long-distance calls over the last three years, between February 28, 2003, and August 1, 2006. The Telephone Excise Tax Refund (TETR) is estimated to amount to \$10 billion for individuals and \$10 billions to businesses and tax-exempt organizations.

The refund applies to taxes paid on any long-distance telephone service, including landline, cell phone or Voice over Internet Protocol (VoIP) services. Federal access charges and state and local taxes charged are not included in the refund.

Individuals and families can claim a standard refund of up to \$60 without paperwork, based on exemptions: \$30 for one, \$40 for two, \$50 for three and \$60 for four or more. Claims can be made by filling in Line 71 of Form 1040, Line 42 on the 1040A, Line 9 on the 1040-EZ, Line 69 on the 1040NR, or Line 21 on the 1040NR-EZ.

Millions of long-distance customers do not earn enough to file regular income tax returns but are still eligible for the refund. Individuals who are not normally required to file a regular federal income tax form may request a refund using Form 1040EZ-T.

There is no standard refund option available for businesses and tax-exempt organizations, however, an “estimated method” is provided for calculating refunds that requires less paperwork and fewer calculations.

For those who can collect the last 41 months of telephone bills, exact amounts can be claimed by attaching Form 8913 to a return. There is no limit on amounts that can be claimed with documentation. Those who have already filed can still amend their return to receive a refund.

Taxpayers who are filing a regular income tax return will not receive a separate check—the refund will either reduce the amount owed on their 2006 federal income tax returns, or increase their overall refunds.

Getting the Word Out Before the Deadline

The IRS's efforts to get the word out about the refund have fallen far short. The agency announced that out of tax returns filed through February 16, more than 10 million taxpayers, or 30 percent, had not requested the telephone tax refund. The Maryland IRS office reported on March 27 that only one in three of Maryland tax returns claimed a refund.

The IRS should be called on to make a major publicity push to advertise the refund before the April 17 deadline. Special efforts should be made to reach those most likely to be left out of the program, such as those with low-income, immigrants, minorities and the elderly.

Now is an opportunity for lawmakers to raise awareness of the refund, and let people know how to claim it, by issuing press releases and by talking to constituents, community groups and media.

A study by the Center for Budget and Policy Priorities estimated that more than 10 million of the 15 million poorest families in the U.S. with long-distance phone service would be left out of the government's refund program.

Questions about the refund can be answered at "walk-in" IRS offices, by many community groups and tax professionals, or through government sponsored programs such as Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE). Taxpayers can also call the IRS for information at 1-800-829-4477 and select Topic #611

Other sources of information include the Internet. The IRS has information posted on their main website (www.irs.gov) as well as on a special telephone refund website, <http://www.irstelephonetaxrefund.info/Home.cfm>. There are also some private websites on the topic, such as www.RefundsforGood.org, a site started in March that explains the tax and helps visitors make a claim while encouraging them to donate to one of three sponsored nonprofits.

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