



Corporation Tax Bulletin Number 123

SUBJECTIVITY TO GROSS RECEIPTS TAXES ARTICLE IX MOBILE TELECOMMUNICATIONS

Effective January 1, 2004 Act 46 of 2003 expanded the imposition of Gross Receipts Tax to include providers of mobile telecommunication services. Subjectivity to tax now includes:

1. Telegraph or telephone messages transmitted wholly within this state and telegraph or telephone messages transmitted in interstate commerce where such messages originate or terminate in this state and the charges for such messages are billed to a service address in this state, except gross receipts derived from:
 - The sales of access to the internet, as set forth in Article II, made to the ultimate consumer; and
 - The sales for resale to persons, partnerships, associations, corporations or political subdivisions subject to tax imposed by this article upon gross receipts derived from such resale of telecommunications services including:
 - a. Telecommunications exchange access to interconnect with a local exchange carriers network.
 - b. Network elements on an unbundled basis; and
 - c. Sales of telecommunication services to interconnect with providers of mobile telecommunications service.
2. Mobile telecommunication services messages sourced to this commonwealth based on the place of primary use standard as set forth in the Mobile Telecommunications Sourcing Act (4 U.S.C. §117), except gross receipts from the following
 - The sales of access of the internet as set forth in Article II, made to the ultimate consumer; and
 - The sales for resale to persons, partnerships, associations, corporations or political subdivisions subject to the tax and posed by this article upon gross receipts derived from such resale of mobile telecommunications services to interconnect with providers of telephone communication services.

CREDIT

Telegraph or telephone companies or providers or mobile telecommunications services that pay a gross receipts tax to another state on messages or services which are taxable under this article are entitled to a credit against the tax due under this article. The credit allowed with respect to messages or services shall not exceed the tax. A schedule to claim the credit and related instructions will be provided with the RCT-111 annual tax report.

SAFE HARBOR INSTRUCTIONS AND PREPAYMENT REQUIREMENTS

SAFE HARBOR-MOBILE TELECOMMUNICATION TAX/INTERSTATE TELEGRAPH OR TELEPHONE TAX

For purposes of the estimated tax requirements, the safe harbor base year tax amount shall be the amount that would have been required to be paid if the taxpayer had been subject to the tax in the safe harbor year (i.e. the second preceding tax year). **Your safe harbor declaration should be recorded in the space provided on the prepayment coupon for the 3/15/04 installment. Installment payments for 2004 are to be mailed to the Accounting Division of the Bureau of Corporation Taxes, Dept. 280701, Harrisburg, PA 17128-0701.**

PREPAYMENT REQUIREMENTS

For tax years **after** 2004 the payment of the estimated tax will be in accord with Section 3003.2 of the Tax Reform Code. For mobile telecommunications and interstate telegraph and telephone taxes, the 2004 tax year will be the base year for safe harbor computations for the 2005 and 2006 tax year. From that point forward the second preceding taxable year will serve as the safe harbor. The safe harbor is defined as the base year tax annualized and recomputed using the current year rate and law.

- **Prepayment of INTRASTATE (tax type 11) and INTERSTATE (tax type 12) are due in full on March 15, 2004.**

- **Prepayment of MOBILE TELECOMMUNICATION Tax (tax type 13) for 2004 are due:**
 - 40% due March 15, 2004
 - 40% due June 15, 2004
 - 20% due September 15, 2004

- **Declare on the March 2004 coupon your safe harbor value for all three categories of gross receipts.**

PAYMENT METHODS

Mail 2004 prepayment coupons to:

**Bureau of Corporation Taxes
Accounting Division
Dept. 280701 – Attn: GRIT
Harrisburg, PA 17128-0701**

**Submit payment electronically* and
mail Safe Harbor declaration to:**

**Bureau of Corporation Taxes
Accounting Division
Dept. 280701 – Attn: GRIT
Harrisburg, PA 17128-0701**

***Requires pre-registration at least five (5) working days prior to due date. You may register online at www.etides.state.pa.us.**

Failure to declare a safe harbor for the mobile telephone/telegraph and interstate portion of the gross receipts tax will necessitate that the Department evaluate the adequacy of prepayment for 2004, based on 90% of the actual tax. You can avoid penalty if you accurately calculate and timely declare and pay a safe harbor value.

Underpayment of the 2004 mobile telecommunications prepayment subjects the account to an underpayment penalty. This penalty is 5% of the underpayment per month of the underpayment measured from the installment due date.

CLARIFICATION REGARDING:

SUBJECTIVITY: Contact the Specialty Tax Division at 717-783-6031, selection Option 3.

PREPAYMENT REQUIREMENT: Contact the Accounting Division at 717-705-6133 or 717-705-6134.