

Vermont Department of Taxes
TECHNICAL BULLETIN

TAX: Sales Tax

TB – 49

SUBJECT: Telecommunications Services
Subject to Vermont Sales Tax

ISSUED: 11/02/09
REVISED: 01/22/10¹

STATUTORY REFERENCE: 32 V.S.A. § 9771(5), (6)
32 V.S.A. § 9701(19), (38)-(42), (44)

Introduction

The purpose of this bulletin is to identify the services provided by telecommunications service providers that are subject to the Vermont sales tax. This bulletin is intended for all sellers of telecommunication services including sellers of voice-over internet protocol services (VOIP) and mobile telecommunication services.

Statutory Framework

Title 32, Section §9771(5) imposes Vermont’s six percent sales tax on the sales price for “[t]elecommunications service except coin-operated telephone service, paging service, private communications service or value-added, non-voice data service.” Telecommunications service is defined as “the electronic transmission, conveyance, or routing of voice, data, audio, video or any other information or signals to a point or between or among points” and includes “such transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance or routing without regard to whether such service is referred to a voice-over internet protocol, service or is classified by the Federal Communications Commission as enhanced or value added.” 32 V.S.A. § 9701(19). The excepted services are defined in statute. 32 V.S.A. § 9701(38) – (41).

The Vermont sales tax is also imposed on directory assistance, defined as the ancillary service of providing telephone number information or address information, or both. 32 V.S.A. §§9771(6), 9701(44).

In addition to the telecommunication services that are specifically excepted from the imposition of tax under § 9771(5), several services are excluded from the definition of telecommunications and therefore are not taxable. These include certain data processing, installation of equipment, tangible personal property, advertising, billing and collection, radio and television audio and video programming services, and ancillary services. 32 V.S.A. § 9701(19)(A) – (I). Ancillary services are services associated with or incidental to the provision of telecommunications services, including but not limited to detailed telecommunications billing, directory assistance, vertical service, and voice mail services. 32 V.S.A. § 9701(42). A vertical service is a service such as call forwarding, caller ID, three-way calling, and conference bridging that allows a customer to identify a caller or manage multiple calls and call connections. Regulation§1.9771(5)-2(B)(3).

The term “sales price” does not include “[t]elecommunications nonrecurring charges”, defined as an amount billed for the installation, connection, change or initiation of telecommunications service received by the customer. Therefore, these charges are not subject to the Vermont sales tax.

¹ The January 22, 2010 revision corrected the treatment of digital products delivered electronically based on changes to the sales tax law approved by the Vermont Legislature in 2009. Act 1(Special Session) § H.41

