



Telephone Tax Refunds: Questions and Answers for Businesses and Tax-Exempt Organizations

Q. Are businesses required to dig through all their old phone records to figure their telephone tax refund?

No. The IRS has developed a formula that most businesses and tax-exempt organizations can use to figure their refund. To use the formula, eligible taxpayers need only review their phone bills for 2 months, instead of all 41 months included in the refund period. In addition, eligible taxpayers need to know their total telephone expenses for the 41-month period and the number of employees reported on their federal withholding tax return (Form 941) for the second quarter of 2006.

The formula is an alternative to basing a refund request on the actual amount of tax paid. All taxpayers have the option of requesting a refund using the actual amount of tax paid.

Whether they use the formula or actual taxes paid, businesses and tax-exempt organizations must use Form 8913, Credit for Federal Telephone Excise Tax Paid, to request the refund. Businesses attach this form to their regular income tax return for 2006. Tax-exempt organizations attach it to Form 990-T.

Q. Who can use the formula?

In general, businesses and tax-exempt organizations that were operating at any time during the period from March 1, 2003, through July 31, 2006, and continued to incur phone expenses from April 2006 through September 2006, may use the formula. This includes corporations, S corporations, partnerships, trusts and estates. (Trusts and estates are treated as businesses in applying the formula.) Nonprofit tax-exempt organizations, including churches and charities, can also use the formula.

In addition, individual owners of rental property and self-employed people, including independent contractors, sole proprietors and farmers, can use the formula, but only if they report gross rental and business income totaling more than \$25,000 on their 2006 federal income tax returns. This is the amount shown as:

- Gross income on Schedule C, Line 7,
- Gross receipts on Schedule C-EZ, Line 1,
- Rents received on Schedule E, Line 3, and
- Gross income on Line 11, Schedule F.

Individuals with more than one activity who fill out multiple business or rental schedules should add together all gross rental and business income amounts shown on these schedules. Similarly, married couples filing joint returns should also combine their gross rental and business income amounts from these schedules.

Q. How does the formula work?

To use the formula, businesses and tax-exempt organizations follow these steps:

1. Take the April 2006 phone bill (this is the bill with an April 2006 statement date) and divide the total federal telephone excise tax by the total phone bill (including federal



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1. Take the April 2006 phone bill (this is the bill with an April 2006 statement date) and divide the total federal telephone excise tax by the total phone bill (including federal

telephone excise taxes) to arrive at the percentage of the bill attributable to federal telephone excise tax. If you have more than one type of service or service provider (land line, fax, cell, local, long distance, bundled, etc.), combine all bills dated in April before making this computation. For this purpose, there is no need to separate the taxes paid on long-distance service from those paid on local service. April is a representative month during which the government was still collecting the excise tax on long-distance service.

2. Take the September 2006 phone bill and divide the total federal excise tax by the total phone bill to arrive at the percentage of that bill attributable to federal telephone excise tax. The percentage should be lower because the government was only collecting the federal excise tax on local telephone service.
3. Subtract the September percentage from the April percentage to arrive at the percentage that represents the federal long-distance tax. This is the percentage businesses and tax-exempt organizations will use to figure their refunds (capped as discussed below).
4. Multiply the long-distance tax percentage by the total phone expenses shown on telephone bills dated after Feb. 28, 2003, and before Aug. 1, 2006. The refund is capped at 2 percent of phone expenses for small businesses (those with 250 or fewer employees) and one percent for large businesses (those with more than 250 employees). Use the number of employees for the pay period that included June 12, 2006. This is the number reported on Line 1, Form 941 (Employer's Quarterly Federal Tax Return) for the second calendar quarter of 2006. Interest is added to the refund amount.

You can use the formula, even if your organization or business only operated for part of the 41-month period. However, if you were not in business or operating April through September 2006, you cannot use the formula. You can only request a refund for months for which the telephone tax was paid.

Q. I qualify to use the formula, but my telephone expense records are not broken down by month. Is there an acceptable method for me to estimate my telephone expenses for the 41-month refund period?

Yes. You can base your estimate on the amounts you reported as business-related telephone expense on your returns for tax years 2003 through 2006. Prorate the telephone expense amount for a particular tax year if part of the year falls outside the refund period (2003 and 2006 for most taxpayers).

For example, like most taxpayers, Company Z files its income tax return on a calendar-year basis. It operated continuously during all four years and claimed telephone expense deductions totaling \$12,000 in tax year 2003, \$11,000 in 2004, \$12,000 in 2005 and \$12,000 in 2006. Z estimates the amount of its telephone expense that falls within the 41-month refund period as follows. In tax year 2003, only 10 months (March through December) fall within the telephone tax refund period. Z estimates its telephone expenses for this period by multiplying the \$12,000 telephone expense deduction for 2003 by 10/12 (10 months divided by 12, the number of months in the tax year) to arrive at a figure of \$10,000. There's no need to prorate the deductions for 2004 and 2005, because these tax years fall entirely within the refund period. In 2006, 7 months (January through July) fall within the refund period. Accordingly, Z prorates its \$12,000 telephone expense deduction by multiplying it by 7/12 to come up with an estimate of \$7,000. Z adds together the prorated telephone expense for 2003 (\$10,000), the actual telephone expense deduction for 2004 (\$11,000), the actual deduction for 2005 (\$12,000) and the prorated expense for 2006 (\$7,000). The result, \$40,000, is Z's estimated telephone expense for the 41-month refund period.

Note: For reporting purposes, telephone taxes need to be allocated by month or quarter. See Form 8913 and its instructions for more information.

Q. Which cap should a business or nonprofit use if its number of employees is 250 or less for part of 2006 and more than 250 for the rest of the year?

The cap is determined based on the number of employees for the pay period that includes June 12, 2006. This is the number reported on Line 1, Form 941 (Employer's Quarterly Federal Tax Return). Thus, employment levels at other times of the year have no impact.

Q. In applying the percentage cap, are part-time employees considered the same as full-time employees?

Yes. Use the number of employees reported on Line 1 of Form 941 for the second quarter of 2006. This figure includes both full-time and part-time employees. It does not include household employees, employees who received no pay, pensioners and active members of the armed forces.

Q. Can you provide an example of how the formula works?

Company Z had ten employees during the pay period that included June 12, 2006, and, as noted above, had telephone expenses totaling \$40,000 for the 41-month period beginning after Feb. 28, 2003 and ending before Aug. 1, 2006. Its phone bill, dated April 5, 2006, was \$1,000 (including federal excise tax of \$28), and its phone bill dated Sept. 5, 2006, was \$1,100 (including excise tax of \$16.50). Company Z's telephone tax percentage for April is 2.8 percent (\$28 divided by \$1,000) and its telephone tax percentage for September is 1.5 percent (\$16.50 divided by \$1,100). Subtracting the September telephone tax percentage of 1.5 percent from the April percentage of 2.8 percent gives Company Z a long-distance tax percentage of 1.3 percent.

Company Z qualifies as a small business (one with 250 or fewer employees) and its telephone tax percentage falls below the two-percent cap that applies to small businesses. Multiplying 1.3 percent by Company Z's total telephone expenses of \$40,000 results in a telephone tax refund of \$520. Interest is added to this amount.

If Company Z instead had more than 250 employees, and wanted to use the formula, its long-distance tax percentage would be capped at one percent and its refund using the formula would be \$400 (\$40,000 times one percent), plus interest.

Q. Are there any additional forms required to use the formula?

No. All businesses and tax-exempt telephone tax refund requests must be made using Form 8913, Credit for Federal Telephone Excise Tax Paid. No additional forms are needed to use the formula.

Q. Does an eligible entity have to use the formula?

No. The formula was designed to make it easier for businesses and tax-exempt organizations to request the telephone tax refund. It is optional. Any business or tax-exempt organization can choose to request a refund based on the actual amount of long-distance telephone excise tax billed after Feb. 28, 2003 and before Aug. 1, 2006.

Q. Does the IRS plan to audit telephone tax refund requests?

The IRS expects to treat telephone tax refund requests in a manner similar to other tax returns. In general, the IRS accepts most federal tax returns as filed. However, to make sure taxpayers are following the law, the agency examines or audits some returns.

Returns are audited for a variety of reasons, and most are chosen by computerized screening.

Q. In case of audit, what records should businesses and tax-exempt organizations keep?

If you use the formula, the IRS suggests that you keep the following records:

- Copies of your phone bills dated in April and September 2006,
- Your business-related telephone expenses for the 41 months for which the refund is available (March 2003 through July 2006), and
- The number of employees during the pay period that included June 12, 2006, as reported on Line 1, Form 941 (Employer's Quarterly Federal Tax Return) for the second quarter of 2006.

If you base your refund request on the actual amount of your telephone tax, keep copies of your telephone bills for the 41-month period.

Either way, do not send these documents with your refund request — keep them for your records.

Q. Are foreign businesses and tax-exempt organizations eligible to request the telephone tax refund?

Yes. Like other taxpayers, they are eligible to file if they paid federal long-distance taxes billed after Feb. 28, 2003, and before Aug. 1, 2006.

Q. Can businesses and tax-exempt organizations figure their refunds using the actual amount of tax incurred for one year and use the formula for taxes incurred in another year?

No. Businesses and tax-exempt organizations can choose either method but not both.

Q. If a taxpayer owns more than one business, does the taxpayer submit a separate refund request for each business?

In some cases, yes. It depends upon whether each business is considered a separate business for tax purposes.

Each business that has an employer identification number (EIN) with the IRS (for example, two corporations owned by the same taxpayer) is considered a separate business for tax purposes and can request a telephone tax refund. Each separate business can choose to figure its refund using either the formula or the actual amount of tax paid. Individuals who operate more than one business as a sole proprietor are issued only one EIN. Thus, an individual can submit only one refund request.

Q. Can the IRS use telephone tax refunds to offset tax debts?

Yes. Like other tax refunds, the telephone tax refund can be applied against other taxes owed by the taxpayer.

Q. I am requesting the telephone tax refund on my 2006 business return, and I expect to receive my refund in 2007. Do I have to report it as income on my 2007 return?

Generally, yes. Normally, a business taxpayer can deduct the cost of telephone service, including related taxes. Thus, if you later receive a refund of those taxes, you normally must include it, along with any related interest, in your gross income in the year you receive it.

Further details on reporting these refunds will be included in IRS publications and tax instructions for 2007.

Q. Why can't the telephone companies pull the information from their databases and provide it to businesses?

Many service providers lack easy access to records for the entire 41-month period. In

general, they retain about six months of records on-line. In addition, many taxpayers have more than one service provider or have changed providers at least once in the past three years. Thus, the telephone companies cannot provide complete records for all of their customers.

The formula was created to save time and trouble for businesses and tax-exempts requesting refunds and help limit the volume of customer record requests to companies in the telecommunications industry. Those wishing to base their requests on actual taxes paid and who lack adequate records may, in some cases, be able to obtain records from their service provider. However, service providers are not precluded from charging customers for providing these records, and customers making these requests may face substantial delays in obtaining them.

Q. Why can't the IRS figure the telephone tax refund and send it to each eligible business or tax-exempt organization?

The IRS does not have access to all of the information needed to figure these refunds.

Q. How will the IRS provide the forms and other information needed by businesses?

Details on the telephone tax refund will be included in all 2006 tax return materials and on this Web site.

Q. If a business or tax-exempt organization does not have 41 months of documentation, what are its options?

Businesses and tax-exempt organizations need their phone bills dated in April 2006 and September 2006 to figure their long-distance tax percentage for their refund requests. If a business or tax-exempt organization has its expenses broken out by month, all it has to do is add them together in the groups shown on Form 8913, Credit for Federal Telephone Excise Tax Paid. For example, it can add its March, April and May 2003 expenses together to obtain the total amount of telephone expenses it had for this time period.

If it does not have its expenses by month, it can estimate the amount for each time period on the Form 8913 by using the average monthly phone expense for each year included in the 41-month refund period.

For example, it divides its total telephone expense for 2003 by 12 to get a monthly average. It uses this amount to estimate the amount of telephone expense it incurred for each of the time periods in 2003 shown in column D of Form 8913. It can repeat this step for each subsequent year.

Credit for Federal Telephone Excise Tax Paid

▶ See the separate instructions.
▶ Attach to your income tax return.

Name(s) as shown on your income tax return

Identifying number

Enter the federal telephone excise tax billed during each period as listed in column (a) of lines 1-14 below.

By filing this form, you are certifying that you (1) have not received from your service provider a credit or refund of the tax paid on long distance service or bundled service billed after February 28, 2003, and before August 1, 2006, and (2) will not ask your provider for a credit or refund or have withdrawn any request submitted to the provider for a credit or refund.

Caution. See the instructions for explanations of the services that qualify for a credit or refund of the federal telephone excise tax.

Amount of federal excise tax on long distance or bundled service only

(a) Bills dated during:	(b) Long distance service	(c) Bundled service	(d) Tax credit or refund (add columns (b) and (c))	(e) Interest (see instructions)
1 March, April, and May 2003	\$	\$	\$	\$
2 June, July, and August 2003				
3 September, October, and November 2003				
4 December 2003; January and February 2004				
5 March, April, and May 2004				
6 June, July, and August 2004				
7 September, October, and November 2004				
8 December 2004; January and February 2005				
9 March, April, and May 2005				
10 June, July, and August 2005				
11 September, October, and November 2005				
12 December 2005; January and February 2006				
13 March, April, and May 2006				
14 June and July 2006				
15 Add lines 1-14 in columns (d) and (e)			\$	\$
16 Total credit or refund requested. Add columns (d) and (e) on line 15. Enter here and on Form 1040, line 71; Form 1040A, line 42; Form 1040EZ, line 9; Form 1040EZ-T, line 1a; Form 1040NR, line 69; Form 1040NR-EZ, line 21; Form 1120, line 32g; Form 1120-A, line 28g; Form 1120S, line 23d; Form 1041, line 24f; Form 1041-N, line 17; Form 1065, line 23; Form 990-T, line 44f; or the proper line of other returns				\$

Paperwork Reduction Act Notice. We ask for the information on Form 8913 to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 8913 will vary depending on individual circumstances. The estimated burden for individual taxpayers filing Form 8913 is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file Form 8913 is shown below.

- Recordkeeping** 13 hr., 37 min.
- Preparing and sending the form to the IRS** 13 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

2006



Department of the Treasury
Internal Revenue Service

Instructions for Form 8913

Credit for Federal Telephone Excise Tax Paid

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Purpose of Form

Form 8913 is used to request a credit or refund of the federal excise tax paid on long distance or bundled telephone service that was billed after February 28, 2003, and before August 1, 2006. You cannot request a credit or refund for the tax paid on local-only service or charges in connection with local-only service. See *Definitions* on page 2.

You may request a credit or refund if you:

- Have not received from the service provider a credit or refund of the tax paid on long distance or bundled service billed after February 28, 2003, and before August 1, 2006, and
- Will not ask the service provider for a credit or refund or have withdrawn any request submitted to the provider for a credit or refund.



Do not file Form 8913 if you are requesting the standard amount on your individual tax return.

Requests cannot be filed on Form 8849, Form 720, or Form 843 for this credit or refund; the IRS will not process these claims. If you filed a claim prior to May 25, 2006, you or your representative should have received a letter from the IRS explaining how your claim will be processed. If you or your representative have not received a letter or an IRS agent has not contacted you, call toll-free 1-866-699-4096 for assistance.

How To Figure Your Credit or Refund

There are two methods to figure your credit or refund on Form 8913.

- Figure your actual credit or refund. You will need your phone bills for the 41-month refund period.
- If eligible, you can figure your actual credit or refund using the Business and Nonprofit Estimation Method.

Who Must File

All of the following must file Form 8913 if they want to request a credit or refund of the federal telephone excise tax.

- All corporations, partnerships, estates, trusts, and nonprofit organizations.
- Any individual who can be claimed as a dependent by someone else. A person who can be claimed as a dependent is eligible to request a credit or refund of the telephone excise tax if the dependent paid the tax on long distance or bundled service. However, the dependent must

file Form 8913 and figure the actual amount of credit or refund. A dependent cannot request the standard amount.

Others Who May File

Individuals

Standard amounts are available for individuals to request a credit or refund of the tax instead of figuring the actual amount on Form 8913. See the 2006 Instructions for Form 1040, Form 1040A, Form 1040EZ, Form 1040NR, Form 1040NR-EZ, Form 1040-PR, Form 1040-SS, or new Form 1040EZ-T, Request for Refund of Federal Telephone Excise Tax. However, individuals who want to request a credit or refund greater than the standard amount must file Form 8913. Individuals filing Schedule C, Schedule C-EZ, Schedule E, Schedule F, or Form 4835 may benefit by figuring the actual amount of credit or refund on Form 8913.



The IRS has developed Form 1040EZ-T for use by individuals who are otherwise not required to file a tax return. Individuals who file Form 1040EZ-T can request the standard amount or use Form 8913 to request a refund. Form 1040EZ-T is available on the IRS website at www.irs.gov.

Individuals filing Schedule C, Schedule C-EZ, Schedule E, Schedule F, or Form 4835. Individuals who figure the actual amount of credit or refund must do so for all of their phone service included in the credit or refund request. You cannot request the standard amount for your personal lines and also request the actual amount for your business lines.

Deceased Taxpayers

If a taxpayer died after 2005 but before filing a return for 2006, the taxpayer's spouse or personal representative may have to file Form 8913 (if he or she is not requesting the standard amount) and attach it to the individual income tax return for that taxpayer or to Form 1040EZ-T. For more information on filing for a deceased taxpayer, see the instructions for your individual tax return.

If the taxpayer died before 2006, Form 1041 must be filed for 2006, even if the estate is closed. Attach Form 8913 to that return.

Entities No Longer in Existence or No Longer in Business

If an entity was the subject of a merger or acquisition and it will not be filing a 2006 income tax return, the surviving or acquiring corporation must include on its Form 8913 any tax for the months of the refund period the dissolved entity was in existence and paid the tax. If the entity is no longer in business or is no longer in existence, the transferee must file Form 8913. The transferee must include any tax on long distance or bundled service from the entity no longer in existence with the transferee's own Form 8913.

Credit or Refund Requests by Service Providers

A service provider is the person responsible for paying over the tax to the government, generally the telecommunications company that provides communications services to the taxpayer. A provider cannot use Form 8913 to request a credit or refund for long distance or bundled service billed to customers of the provider. See the Instructions for Form 720.

Providers may request a credit or refund on Form 8913 for long distance or bundled service billed to the provider.

Recordkeeping

Do not attach any phone bills or other records to Form 8913. However, all taxpayers must keep records to support the credit or refund request.



Service providers are not required to provide duplicate billing records to their customers.

How To File

Attach Form 8913 to your return for the tax year that includes December 31, 2006.

Definitions

Local-Only Service

Local-only service means (a) access to a local telephone system (but not private communications service) and the privilege of telephonic quality communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system, and (b) any facility or service provided in connection with such a service.

Local-only service includes the charges for the following services, even though they may be connected with long distance service.

- Telephone amplifier.
- Automatic call distributing equipment.
- Special telephone.
- Subscriber line charge (or access charge if separately stated).

A universal service fee charge is considered local-only service if it is separately stated on the bill for local-only service.

If local and long distance service is billed to a customer on a single bill, but the charges for local-only service and long distance service are separately stated, then the amount for local-only service is subject to the 3% communications excise tax.

Bundled Service

Bundled service is local and long distance service provided under a plan that does not separately state the charge for

the local telephone service. Bundled service includes plans that provide both local and long distance service for either a flat monthly fee or a charge that varies with the elapsed transmission time for which the service is used.

Telecommunications companies provide bundled service for both landlines and wireless (cellular) service. If Voice over Internet Protocol service provides both local and long distance service and the charges are not separately stated, such service is bundled service.

The method for sending or receiving a call, such as on a landline telephone, wireless (cellular), or some other method, does not affect whether a service is local-only or bundled.

Prepaid Telephone Cards (PTC)

A PTC will be treated as bundled service unless a PTC expressly states it is for local-only service. Generally, the person responsible for collecting the tax is the carrier who transfers the PTC to the transferee. The transferee is the first person that is not a carrier to whom a PTC is transferred by the carrier. The transferee is the person liable for the tax and is eligible to request a credit or refund. For more information, see Regulations section 49.4251-4.

The holder is the person that purchases a PTC to use and not to resell. Holders are not liable for the tax and cannot request a credit or refund.

Example 1. Z purchases a PTC from S. Z uses the PTC to place telephone calls. Z is a holder and cannot request a credit or refund.

Example 2. S purchased the PTC from O. O is a transferee that purchased the card from R. R is a carrier. O is eligible to request a credit or refund. S cannot request a credit or refund because S did not purchase the PTC from the carrier.

Prepaid Cellular Telephones

Rules similar to the PTC rules above apply to prepaid cellular telephones. The transferee is the person eligible to request the credit or refund.

Long Distance Service

Long distance service is telephonic quality communication with persons whose telephones are outside the local telephone system of the caller.

Additional Information

For more information, see Notice 2006-50, which is available on page 1141 of Internal Revenue Bulletin 2006-25 at www.irs.gov/pub/irs-irbs/irb06-25.pdf.

Specific Instructions

Identifying Number

Enter the identifying number shown on your tax return. If you are filing Form 1040EZ-T and you did not enter an identifying number on that form, leave this space blank.

How To Complete Lines 1-14, Columns (b) and (c)

Figuring the Actual Amount of Credit or Refund

Taxpayers must have appropriate records for each period a credit or refund is requested. Businesses and nonprofit organizations may be eligible to use an estimation method (described below). Enter the tax for all telephone lines for each period in the applicable column shown on lines 1-14. Complete and attach only one Form 8913 to your return. Include the tax on prepaid telephone cards and prepaid cellular service with long distance service in column (b). Do not include the tax on local-only service.



Individuals cannot request the standard amount for their personal or business phone service if they figure the actual credit or refund for any of their phone service.

Example 1. A corporation files a consolidated return with three subsidiaries. The corporation prepares one Form 8913 which combines the credit or refund request for the entire group.

Example 2. Audrey files Form 1040 that includes a separate Schedule C (Form 1040) for each of her three businesses. Audrey combines the actual tax paid for her personal and business phone lines and files one Form 8913 with Form 1040.

Business and Nonprofit Estimation Method

A business and nonprofit estimation method is available for corporations, partnerships, estates, trusts, and nonprofit organizations. Business also includes individual taxpayers filing Schedule C, Schedule C-EZ, Schedule E, Schedule F, or Form 4835, with gross receipts above the limit figured in Step 1 of the worksheet. Your organization must have been in business April through September of 2006 to use this method.

This method will allow organizations to make a reasonable estimate of their actual credit or refund for the 41-month refund period. Using the estimation method may reduce the burden of computing the actual credit or refund for all 41 months. However, there are limits on the amount of credit or refund using this method. The limits are explained in the worksheet. Any organization, or individual filing Schedules C, C-EZ, E, F, or Form 4835, can always figure the actual amount of credit or refund and not use the estimation method.

Step 1. Are You Eligible To Use This Method?

1. Are you an individual taxpayer?

Yes.

Continue

No.

You can use this method. Go to Step 2 at the bottom of this page.

2. Are you filing Schedule C, C-EZ, E, or F, or Form 4835?

Yes.

Continue

No.



You cannot use this method.

3. Enter the amounts from the following lines of your tax return:

3a. Schedule C, line 1	_____
3b. Schedule C, line 6	+ _____
3c. Schedule C-EZ, line 1	+ _____
3d. Schedule E, line 3	+ _____
3e. Schedule F, line 2	+ _____
3f. Schedule F, line 11	+ _____
3g. Schedule F, line 45	+ _____
3h. Form 4835, line 7	+ _____
3i. Add lines 3a through 3h	=

4. Is line 3i more than \$25,000?

Yes.

You can use this method. Go to Step 2.

No.



You cannot use this method. Complete lines 1-14 using the actual amounts of tax paid.

Step 2. Figure Your Allowable Excise Tax Rate

1. Enter the total amount you paid for telephone service (including all fees and taxes) billed in April 2006.	1. _____
2. Enter the total federal excise tax included on line 1.	2. _____
3. Divide line 2 by line 1. Carry the result to at least four decimal places	3. _____
4. Enter the total amount you paid for telephone service (including all fees and taxes) billed in September 2006.	4. _____
5. Enter the total federal excise tax included on line 4.	5. _____
6. Divide line 5 by line 4. Carry the result to at least four decimal places	6. _____
7. Subtract line 6 from line 3.	7. _____
8. Enter the number of employees from line 1 of your second quarter of 2006 Form 941 (but do not count any household employees, employees in nonpay status, pensioners, or active members of the Armed Forces). If you did not file Form 941, enter -0-.	8. _____
9. If line 8 is 250 or less, enter 0.02. Otherwise, enter 0.01	9. _____
10. Enter the smaller of line 7 or line 9.	10. _____

Step 3. Figure Your Credit or Refund for Each Period

- In **column (b)** of the worksheet below, enter the telephone expenses paid or accrued from your books and records that were billed for the period in column (a). You may determine your telephone expenses for each month during your tax year by dividing your annual telephone expenses for that tax year by 12.
- In **column (c)** of the worksheet below, enter the rate from Step 2, line 10.
- In **column (d)** of the worksheet below, multiply column (b) by column (c). Enter the result on the corresponding line in column (d) of Form 8913.

(a) Period	(b) Telephone Expenses (Including all fees and taxes)	(c) Rate From Step 2, Line 10	(d) Tax Credit or Refund (column (b) x column (c))
1. March 2003 – May 2003	\$		\$
2. June 2003 – Aug. 2003			
3. Sept. 2003 – Nov. 2003			
4. Dec. 2003 – Feb. 2004			
5. March 2004 – May 2004			
6. June 2004 – Aug. 2004			
7. Sept. 2004 – Nov. 2004			
8. Dec. 2004 – Feb. 2005			
9. March 2005 – May 2005			
10. June 2005 – Aug. 2005			
11. Sept. 2005 – Nov. 2005			
12. Dec. 2005 – Feb. 2006			
13. March 2006 – May 2006			
14. June 2006 – July 2006			

Do not complete columns (b) and (c) on Form 8913. Complete column (e) and the rest of Form 8913 using these instructions.

Lines 1–14, Column (e)

All taxpayers must figure the interest due on the credit or refund for each period. If you are an individual, estate, trust, or partnership (except an electing large partnership) and you are filing a calendar year return on or before its original due date, multiply the amount of tax on Form 8913, lines 1–14, column (d), by the interest factor for the corresponding line in the table below. Interest is computed through May 30, 2007.

Line From Form 8913	Interest Start Date	Interest Factor
Line 1	August 1, 2003	.260351533
Line 2	November 1, 2003	.245625746
Line 3	February 1, 2004	.233142332
Line 4	May 1, 2004	.220072831
Line 5	August 1, 2004	.205856373
Line 6	November 1, 2004	.192782734
Line 7	February 1, 2005	.177872636
Line 8	May 1, 2005	.162644579
Line 9	August 1, 2005	.145195286
Line 10	November 1, 2005	.127050415
Line 11	February 1, 2006	.107341197
Line 12	May 1, 2006	.088602722
Line 13	August 1, 2006	.068658029
Line 14	November 1, 2006	.047327318

Interest factors are **not** provided in these instructions for other taxpayers. Tables of interest rates to figure interest on overpayments for other taxpayers are available in Rev. Proc. 95-17, 1995-1 C.B. 556. The applicable interest rates for overpayments in effect for periods through December 31, 2006, are shown in Rev. Rul. 2006-49, 2006-40 I.R.B. 584, which is available at www.irs.gov/pub/irs-irbs/irb06-40.pdf. For periods after December 31, 2006, use the applicable overpayment rate under section 6621(a)(1) in the quarterly revenue rulings published in the Internal Revenue Bulletin.

Interest must be figured using the interest start date shown in the table above. The interest ending date is 45 days after the later of the original due date or the date you file your return.

Including the Credit or Refund in Income

You must report as interest income in the year received or accrued the part of your credit or refund attributable to interest, from line 15, column (e). If you deducted any telephone excise tax paid, you also must include in gross income in the year received or accrued the smaller of the amount deducted or the rest of your credit or refund, from line 15, column (d), except to the extent the deduction did not reduce federal income tax.

Amended Return

You must complete another Form 8913 in full if you are amending a previously filed Form 8913. On the corrected Form 8913, use the same interest start date and ending date that were required to be used on your original Form 8913. Attach both a copy of the original Form 8913 and the corrected Form 8913 to the applicable amended return. Write "Amended TETR" at the top of the corrected Form 8913 and the amended return.

Individuals also may file an amended return changing from the standard amount to the actual amount of credit or refund. Attach Form 8913 to Form 1040X and state that you are changing from the standard amount to the actual amount of credit or refund. Write "Amended TETR" at the top of the amended return.