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## **Credit for Federal Telephone Excise Tax Paid**

This year, taxpayers will find an extra line on their tax return for a one-time payment available by the IRS. Individuals, businesses, and tax-exempt organizations are eligible for the Telephone Excise Tax Refund (TETR) which is designed to credit or refund the tax paid for long-distance telephone service between March 1, 2003 and July 31, 2006. Any not-for-profit wishing to request a refund will have to file IRS Form 8913 "Credit for Federal Telephone Excise Tax Paid" as well as IRS Form 990-T "Exempt Organization Business Income Tax Return." Form 990-T needs to be filed since the refund is claimed on line 44(f) of that form.

Before preparing the necessary refund tax forms, a not-for-profit organization may want to estimate the amount of their refund. In some instances, the time or cost to prepare the required tax forms may exceed the estimated benefit (refund). A not-for-profit organization that does not normally file a 990-T may find that it is not beneficial to file for a return.

The excise tax refund has two components. A tax component and an interest component. The tax component is either the actual amount of the excise taxes paid during the 41 month period of March 1, 2003 through July 31, 2006 or an estimate of the excise taxes paid using an IRS formula. A not-for-profit organization has the option to compute the tax portion of the refund using either method. The interest component is computed using the IRS formula. Whether the tax component is actual or estimated, the interest formula always remains the same.

A not-for-profit organization that has received any State, Federal or other funds (such as grants) will also need to consider the effect of any potential refund. If a not-for-profit organization has previously claimed the excise tax as an allowable cost, it may have to backpay some portion of the refund it receives to the funding agency.

The following website addresses are for the IRS Form 8913 (<http://www.irs.gov/pub/irs-pdf/f8913.pdf>) and the related instructions (<http://www.irs.gov/instructions/i8913/ch01.html>). You can use these documents to calculate your organization's estimated excise tax refund. Knowing the estimated amount of the refund should aid you in determining whether or not it makes economic sense for your organization to file for the refund.

If you have any questions about the excise tax refund or would like assistance in calculating the estimated refund, please contact either James E. Traester LLC, CPA or Russel Olver, CPA at (203) 932-2931.

IRS CIRCULAR 230 NOTICE: To the extent that this information concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.