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June 15, 2005

Is the IRS Imposing Taxes on Long Distance Services Not Required By Congress?

Dear Colleague,

The courts have recently ruled that the IRS is collecting federal excise taxes (FET) on long distance services, even though Congress does not require it. Please join me in sending a letter to Secretary Snow to stop the IRS from unlawfully demanding the payment of these taxes.

In 1965, Congress codified excise tax collection rules, and specified that collection of taxes on long distance telephone services shall be based on both time *and* distance. For the past ten years, modern long distance service charges vary only by time, not both time *and* distance. The IRS acknowledged the change in long distance service offerings, and thus began settling cases brought about by companies who demanded refunds for payment of the FET on their long distance charges. However, in August 2004, the IRS changed course, and issued a notice requiring telephone companies to collect the FET on all long distance services, even those varying by *time only*.

On May 10, 2005, the Eleventh Circuit Court of Appeals ruled in favor of the taxpayer, arguing that Congress' intent was to impose tax collection on services based on both time *and* distance, not one or the other. The court concluded that companies should not be subject to paying the tax on modern long distance services, but the IRS continues to stand by the August 2004 notice.

In light of the recent court ruling, please join me in sending a letter to Secretary Snow requesting that the IRS issue another notice ceasing collection of the FET on long distance services. The American people already pay enough in taxes. We must ensure that the IRS does not take even more of taxpayers' hard-earned money based on a clear misinterpretation of the law. Please contact Janet Worthington in my office (janet.worthington@mail.house.gov or 5-3201) if you would like to sign the letter, or if you have any questions.

Sincerely,

GARY G. MILLER
Member of Congress

★Repealing the FET on long distance services will help us get one step closer toward the ultimate repeal of the antiquated telephone tax, as reflected in H.R.1898, the Telephone Excise Tax Repeal Act★

Current H.R.1898 Cosponsors: Aderholt, Alexander, Baker, Barrett, Bilirakis, Blackburn, Boehner, Bono, Brady (PA), Burton, Calvert, Camp, Cannon, Capito, Chabot, Conaway, Conyers, Costello, Cox, Cubin, Culberson, Jo Ann Davis, Deal, Duncan, English, Feeney, Ferguson, Foley, Forbes, Fossella, Gallegly, Garrett, Gilchrest, Gillmor, Goode, Goodlatte, Gordon, Green (WI), Hart (PA), Hastings (WA), Hayworth, Hyde, Istook, Sam Johnson, Porter, Kennedy (MN), King (IA), Kolbe, Kuhl, LaHood, Latham, Lewis (KY), Linder, Lungren, Mack, Manzullo, McHenry, Meeks (NY), Michaud, Jeff Miller, Musgrave, Ney, Norwood, Oxley, Paul, Pence, Pickering, Pitts, Platts, Radanovich, Ramstad, Rehberg, Rogers (AL), Rogers (MI), Rohrabacher, Sensenbrenner, Sessions, Shadegg, Shimkus, Souder, Stearns, Sullivan, Terry, Upton, Wilson (SC), Wilson (NM)