

New York State Department of Taxation and Finance
Office of Tax Policy Analysis
Technical Services Division

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Sales Tax
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Sales Tax Exemption for Coin Operated Telephone Service

On September 28, 1999, Governor George E. Pataki signed Chapter 508 of the Laws of 1999 into law to amend section 1115(e) of the Tax Law. Section 1115(e) exempts from tax, telephone service paid for by means of inserting coins in coin operated telephones where the charge is twenty-five cents or less. This amendment provides that each charge for additional usage, beyond the initial usage period, is deemed to be a separate charge. For purposes of this exemption, the charge for the initial usage period is the total amount charged to the customer to make the initial connection of the telephone service to the telephone number called. Where any separate charge for additional usage is twenty-five cents or less, no sales tax is imposed on such charge. Therefore, where the initial charge is twenty-five cents or less and each charge for additional usage is twenty five cents or less, the entire charge will be exempt from state and local sales tax. Where the initial charge is greater than twenty-five cents, and each charge for additional usage is twenty-five cents or less, only the initial charge will be subject to state and local sales tax. Where both the initial charge and subsequent additional usage charges are greater than twenty-five cents, the entire charge will be subject to state and local sales tax. Interstate and international calls made from coin operated telephones continue to be exempt from state and local sales tax, regardless of the charge.

Section 1105(b) of the Tax Law imposes sales tax on charges for intrastate telephone service of any nature. The exemption provided for by this amendment only relates to telephone service paid for by the insertion of coins. The exemption does not apply to coin operated telephones where payment is made by credit, debit or calling cards.

(See, Tax Law, Sections 1115(e) and 1105(b)).