

# NOTICE REGARDING VOICE OVER INTERNET PROTOCOL SERVICES: SALES TAX AND EMERGENCY RESPONSE FEE (9-1-1)

2/23/05

## **New Jersey Sales Tax**

The New Jersey Sales and Use Tax Act imposes tax on receipts from every sale of interstate or intrastate telecommunications charged to an address in this state. N.J.S.A. 54:32B-3(f) Telecommunications is broadly defined as the act or privilege of originating or receiving messages or information through any kind of one-way or two-way communication. N.J.S.A. 54:32B-2(cc)

Whether voice over Internet services are viewed as voice transmissions by other than traditional means, or as data transmission, the service falls within the Sales and Use Tax Act's definition of telecommunications. Therefore, VoIP service is subject to New Jersey sales tax for all customer service addresses in New Jersey.

## **9-1-1 System/Emergency Response Fee**

Chapter 48 of Public Law 2004 imposed a 9-1-1 System/ Emergency Response Fee on telephone exchange customers for purposes of funding the state's 9-1-1 system costs. The law imposes on each customer a fee of \$.90 on any periodic bill received by the customer for each voice grade access service line provided as part of a telephone exchange service.

"Telephone exchange service" is defined as that term is defined in subsection 47 of 47 U.S.C. 153, as well as any other technology, including but not limited to, voice over Internet telephony or cable telephony, that provides access through interconnection to the public switched telephone network to 9-1-1 service. (emphasis added)

"Voice grade access" is defined as a functionality that enables a user of telecommunications services to transmit voice communications...and to receive voice communications..." VoIP service is provided by means of telecommunications and allows the transmission of voice communications between users.

Since Voice over Internet Protocol is specifically mentioned in the 9-1-1 legislation's definition of "telephone exchange service," providers of VoIP services are required to collect and remit the Fee for their New Jersey customers who have access to the 9-1-1 emergency system through interconnection with the public switched telephone network (PSTN), either as part of a basic service plan or as an additional service which the customer may opt for. The access to the PSTN does not have to be directly provided by the VoIP provider; if the provider relies on other service providers or intermediaries to rout the 9-1-1 call through the PSTN, the VoIP service is viewed as originating the interconnection.

The law was effective for bills issued for billing periods on and after July 1, 2004. Service providers are required to collect and remit the Fee to the Division of Taxation through the Division's Telefile system. For additional information and filing instructions, refer to the Division's Notice:

<http://www.state.nj.us/treasury/taxation/pdf/911fee.pdf>