

Telephone Excise Tax Refund (TETR) Update

PROGRAM FAILS TO RETURN \$8 BILLION; TAXPAYERS CAN STILL MAKE CLAIMS

THE REFUND

Individual and business filers are eligible for refunds under the TETR program, which was set up for the 2006 tax season to refund 41 months (after Feb. 28, 2003, and before Aug. 1, 2006) of the 3% telephone excise tax deemed to have been unlawfully collected on long-distance phone services.

Individuals have a choice in how to claim their refund: **(1.)** a **standard refund** amount between \$30 and \$60, based on the total number of exemptions claimed on their 2006 tax return, to eliminate the need to locate old phone bills (**no documentation is needed**); or **(2.)** the **actual amount** can be claimed by locating those phone bills from March 2003 to July 2006, and report the actual amount of excise tax paid using Form 8913. This form should be attached to their federal tax return.

Individuals who are not normally required to file a regular federal income tax form may request a refund using Form 1040EZ-T.

Businesses and Nonprofits also have two options: **(1.)** tally their **actual expenses** using their phone bills, or can use **(2.)** a simplified **estimation method** for calculating their telephone tax refund. Businesses attach Form 8913 to their business tax return. Nonprofits attach Form 8913 to Form 990-T.

PROGRAM (LACK OF) EFFECTIVENESS

Looking at the TETR program for **individual taxpayers**, a September 26, 2007 final audit report by the Deputy Inspector General for Audit at the Treasury Department summarized that:

“[M]uch of the overcollected tax may go unclaimed and unrefunded. As of June 9, 2007, about 87.6 million (**71.5 percent**) of the approximately 122.6 million taxpayers that had filed their individual income tax returns had made a TETR claim. The refunds associated with these claims **totaled only \$3.8 billion, or 48 percent of the \$8 billion collected.**”

A subsequent report by the Deputy Inspector General in April 24, 2008 on the TETR program for **businesses and nonprofit organizations** stated:

“As of November 24, 2007, only approximately 721,410 (**5.6 percent**) of the 12.8 million business taxpayers who had filed their returns had made TETR claims. The refunds associated with these **claims totaled only \$876.6 million, or 17.5 percent of the \$5 billion collected.**”

This suggests that, in total, potentially **\$8.3 billion will not be returned to taxpayers.** Compared to items in the President's 2009 federal budget, \$8.3 billion is:

- \$2.2 billion more than the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (\$6.1 billion)
- *four times* the size of the entire federal Home Energy Assistance Program (HEAP) (\$1.98 billion)
- 40% *more* than '09 federal Gulf Coast/Hurricane Recovery funding (\$5.9 billion)

CLAIMS CAN BE MADE UNTIL 2010

Claims for the refund can still be made, until 2010 (three years from the 2007 filing deadline for 2006 tax returns), by all those eligible who have not already done so. Some useful points to note:

Individuals –

- **Form 1040X:** Individuals can easily amend their federal income tax return to claim their credit using this form.
- **Form 1040 EZ-T:** Those without federal income tax obligations, including many very low-income families, elderly and disabled, can file a claim with this form. Because they pay no federal income taxes, nothing else is necessary.
- **\$30 to \$60** is the standard refund for individual filers, based on family size.
- **No documentation is necessary for a standard refund.**
- **Form 8913:** Individuals can claim actual amounts by additionally filing this form.

Businesses and Tax-Exempt Entities –

- **Businesses and tax-exempt entities** can claim a refund, like individuals, by amending their federal income tax return.
- **Estimated Method:** Businesses and tax-exempt entities can use this method, which requires less documentation and fewer calculations.
- **Form 8913:** Whether they use the Estimated Method or calculate the actual amount due, businesses and tax-exempt entities **must submit this form** with their return.

**** For more details on claiming a refund if you don't normally file a federal tax return, see fact sheet: "Five Easy Steps to Get \$30-\$60 Free."**