

**CITY OF CHICAGO  
DEPARTMENT OF REVENUE  
SIMPLIFIED TELECOMMUNICATIONS TAX RULING**

Pursuant to Sections 2-80-040, 3-4-030, 3-4-150 and 3-73-120 of the Chicago Municipal Code, I, Bea Reyna-Hickey, as Director of the City of Chicago Department of Revenue ("Department"), do hereby adopt and promulgate Simplified Telecommunications Tax Ruling #2 as set forth below, effective May 1, 2009.

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Bea Reyna-Hickey  
Director  
Department of Revenue

Dated: April 3, 2009

Simplified Telecommunications Tax #2  
Subject: Termination Charges  
Effective date: May 1, 2009

Section 1. Chicago Municipal Code ("Code") Section 3-73-030(A) provides: "A tax is ... imposed upon: (1) The act or privilege of originating in the city or receiving in the city intrastate telecommunications by a person at a rate of seven percent of the gross charge for such telecommunications purchased at retail; and (2) The act or privilege of originating in the city or receiving in the city interstate telecommunications by a person at a rate of seven percent of the gross charge for such telecommunications purchased at retail."

Section 2. Code Section 3-73-020(F) provides: "'Gross charge' means the amount paid for the act or privilege of originating or receiving telecommunications in such municipality and for all services and equipment provided in connection therewith by a retailer, valued in money whether paid in money or otherwise, including cash, credits, services and property of every kind or nature, and shall be determined without any deduction on account of the cost of such telecommunications, the cost of the materials used, labor or service costs or any other expense whatsoever."

Section 3. Both sections quoted above refer not only to the "act" but also to the "privilege" of originating or receiving telecommunications. When a customer enters into a telecommunications service contract, he or she agrees to pay certain charges, and in return he or she receives the privilege of originating or receiving telecommunications through the contracting telecommunications retailer. Where one term of the contract is the obligation to pay a charge in the event of early termination, that early termination charge is a part of the taxable gross charges,

because it is a part of what the customer agrees to pay in return for the privilege of originating or receiving telecommunications.

Section 4. This ruling is intended to clarify rather than change existing law.