



# Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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## Telephone Answering Service - Services or Retail Sales

Are telephone answering service businesses required to collect sales tax on any of their charges to customers or to pay retailing business and occupation tax (B&O) on any of their receipts?

Traditionally, a telephone answering business primarily provides services such as telephone answering, message taking, call screening and evaluation, logging of times and messages, etc. Providers of such activities are properly taxed only under the service and other activities classification of the B&O.

Modern technology and rapid innovation in the telephone industry have given rise to new business activities no longer clearly within the service and other activities classification referenced above. RCW 82.04.050 classifies certain of these activities as subject to retail sales tax and the retailing B&O. RCW 82.04.065 provides definitions relating to these retailing activities. The language RCW 82.04.050 and RCW 82.04.065 is amended effective July 1, 2008. This excise tax advisory discusses the application of these statutes both before and after amendment.

As a general practice, when no itemized or separate billing for manual or electronic switching, cross connecting, cross accessing, or other possibly retail service is provided, the telephone answering business would continue to be liable for service and other activities B&O tax on its gross receipts.

The primary nature of the activity determines the tax classification applicable. Incidental services of a possibly different classification, unless clearly identified and billed separately, will not affect the tax classification.

However, if the primary nature of the activity is a retail service, as outlined above or that incidental retail services such as manual or electronic switching or cross connecting of lines and networks are separately billed, the receipts of such retail activities will be taxed as retail sales, subject to the retailing B&O and retail sales taxes.

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**All ETAs were cancelled on February 2, 2009 and those which had a continued use were rewritten and reissued using a new numbering system. The new ETAs are numbered using the following format 3nnn.yyyy. The Department of Revenue issued ETA 3001.2009 which includes a cross reference table showing the old and new ETA numbers for those ETAs that were rewritten.**

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**Classification of retail services effective July 1, 2008 and after:**

RCW 82.04.050(5) classifies “competitive telephone services”, “telecommunications services”, and “ancillary services” as retail sales subject to the B&O tax and the retail sales tax. RCW 82.04.065(1), (2), and (8) provide definitions for these services. “Competitive telephone services”, “telecommunication services”, and “ancillary services” are defined as follows:

"Competitive telephone service" means the providing by any person of telecommunications equipment or apparatus, or service related to that equipment or apparatus such as repair or maintenance service, if the equipment or apparatus is of a type which can be provided by persons that are not subject to regulation as telephone companies under Title 80 RCW and for which a separate charge is made.

"Telecommunications service" means the electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points. "Telecommunications service" includes such transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or routing without regard to whether such service is referred to as voice over internet protocol services or is classified by the federal communications commission as enhanced or value added. "Telecommunications service" does not include:

- "Ancillary services" means services that are associated with or incidental to the provision of "telecommunications services," including but not limited to "detailed telecommunications billing," "directory assistance," "vertical service," and "voice mail services."

Telephone answering service providers are not generally engaged in business activities described above even though some of the activities they perform, when isolated from the primary or general business activity, would satisfy the retail definitions presented above.

**Classification of retail services prior to July 1, 2008:**

RCW 82.04.050(5) classifies “telephone services” as a retail sale which is subject to the Retailing B&O tax and the retail sales tax. “Telephone services” are defined as “competitive telephone services” and “network telephone services” in RCW 82.04.065(1) and (2). “Competitive telephone services” and “network telephone services” are defined as follows:

- "Competitive telephone service" means the providing by any person of telecommunications equipment or apparatus, or service related to that equipment or apparatus such as repair or maintenance service, if the equipment or apparatus is of a type which can be provided by persons that are not subject to regulation as telephone companies under Title 80 RCW and for which a separate charge is made.

- "Network telephone service" means the providing by any person of access to a telephone network, telephone network switching service, toll service, or coin telephone services, **or** the providing of telephonic, video, data, or similar communication or transmission for

hire, via a telephone network, toll line or channel, cable, microwave, or similar communication or transmission system. "Network telephone service" includes the provision of transmission to and from the site of an internet provider via a telephone network, toll line or channel, cable, microwave, or similar communication or transmission system.

Telephone answering service providers are not generally engaged in the business activities described above even though some of the activities they perform, when isolated from the primary or general business activity would satisfy the retail definitions presented above.