



Sales and Use Tax Division
North Carolina Department of Revenue
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FREQUENTLY ASKED QUESTIONS:
911 SERVICE CHARGE FOR PREPAID WIRELESS TELECOMMUNICATIONS
SERVICE

➤ **What is the 911 service charge?**

The 911 service charge is imposed on each retail transaction of prepaid wireless telecommunications service occurring in North Carolina.

➤ **What is a prepaid wireless telecommunications service?**

A prepaid wireless telecommunications service is a wireless telecommunications service that allows a caller to dial 911 to access the 911 system, which service must be paid for in advance and is sold in predetermined units or dollars of which the number declines with use in a known amount. For purposes of the term "prepaid wireless telecommunications service," the term "predetermined unit" includes, but is not limited to, units measured by dollars, events, time, or combinations thereof. Units of time include minutes, hours, days, weeks, or months. One or more units measured by time will be considered to decline with use in a known amount if such unit or units declines according to a predetermined basis.

➤ **What are examples of prepaid wireless telecommunications service?**

An example of a prepaid wireless telecommunications service is a prepaid wireless phone card including a prepaid phone card that provides the purchaser with unlimited minutes for a set period of time. Other examples include sales of prepaid wireless phones that include minutes or the recharge of prepaid wireless phone cards or prepaid wireless phones provided the phones includes minutes.

➤ **Is a long distance calling card an example of a prepaid wireless telecommunications service?**

No. A long distance calling card is not prepaid wireless telecommunications service and would not be subject to the 911 service charge.

➤ **What is the amount of the 911 service charge?**

Effective July 1, 2013, the 911 service charge is sixty cents (60¢) on each retail transaction of prepaid wireless telecommunications service occurring in the State.

➤ **Who is responsible for setting the amount of the 911 service charge?**

The North Carolina 911 Board must set the service charge for prepaid wireless telecommunications service at the same rate as the monthly service charge for non-prepaid service. A change in the rate becomes effective only on July 1. The Board must notify the Department at least 90 days before a change is effective.

➤ **How will the Department notify sellers of a change in the amount of the 911 service charge?**

The Department must provide notice of a change in the service charge for prepaid wireless telecommunications service at least 45 days before the change becomes effective. The Department is required to only provide such notice of change on the Department's website.

➤ **Who is required to collect the 911 service charge?**

A seller of prepaid wireless telecommunications service at retail shall collect the 911 service charge from customers on each retail transaction occurring in North Carolina.

➤ **How does a seller of prepaid wireless telecommunications service register to report and pay the 911 service charge?**

A seller of prepaid wireless telecommunications services must register with the Department using the web fill-in Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax, which is located at http://www.dorncc.com/downloads/fillin/NCBR_webfill.pdf.

➤ **How does a seller remit the 911 service charges collected on retail transactions?**

Form E-500L, 911 Service Charge Prepaid Wireless Telecommunications Return, is to be filed with the Department of Revenue either monthly or semiannually dependent upon the selected or assigned filing frequency for an account.

➤ **Is each retail sale of a prepaid wireless telecommunication service subject to the 911 service charge?**

Each retail sale of a prepaid wireless telecommunications service is subject to the service charge. For example, a retail sale of three separately-packaged prepaid wireless phone cards by a seller to one customer is subject to the sixty cents (60¢) 911 service charge per card for total 911 service charges of one dollar and eighty cents (\$1.80). A retail sale of a single package/item that includes three prepaid wireless phone cards for one total amount by a seller to a customer is subject to one sixty cent (60¢) 911 service charge.

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- **Is a wholesale sale of a prepaid wireless telecommunications service subject to the 911 service charge?**

No. A purchaser of prepaid wireless telecommunications service at wholesale must provide Form E-595, Streamlined Sales and Use Tax Agreement Certificate of Exemption, to the seller at the time of the purchase as a seller's authority not to charge the 911 service charge.

- **Is a seller required to collect the 911 service charge in addition to sales tax on the same retail sale or recharge of a prepaid wireless calling service as defined in G.S. 105-164.3(27a)?**

Yes. The 911 service charge is due in addition to any State and applicable local sales tax on the sale or recharge of a prepaid wireless calling service. The 911 service charge must be separately stated on an invoice, receipt, or other reasonable notification provided to the consumer by the seller at the time of the retail transaction.

- **If a seller collects sales tax on the retail sale or recharge of prepaid telephone calling service, is the seller required to collect the 911 service charge on the same retail sale of a prepaid calling service that is not a prepaid wireless calling service?**

No. The retail sale or recharge of a prepaid calling service that is not a prepaid "wireless" calling service is not subject to the 911 service charge.

- **Where can a seller obtain Form E-500L, 911 Service Charge Prepaid Wireless Telecommunications Return?**

Form E-500L is available online at the Department's website. To request a paper copy of Form E-500L, contact the Department's Forms Line at 1-877-252-3052 (toll-free).

- **Will the Department mail Form E-500L to sellers that register to collect and remit the 911 service charge?**

A supply of Form E-500L and later coupon booklets will be mailed to each newly registered seller by the Department. Taxpayers may also obtain Form E-500L from the Department's website or contact the Department's Forms Line at 1-877-252-3052 (toll-free).

- **How often should Form E-500L be filed with the Department?**

A seller shall file Form E-500L as follows:

1. **Semiannually.** The service charges collected in the first six months of the calendar year are due by July 20. The service charges collected in the second six months of the calendar year are due by January 20.
2. **Monthly.** The service charges collected in a month are due by the 20th day of the month following the calendar month covered by the return.

If a seller does not indicate a preferred filing frequency, a semiannual filing frequency will be established for the seller by the Department.

➤ **Is a seller allowed to deduct an administrative allowance from the 911 service charges collected before remittance to the Department?**

Yes. A seller may deduct and retain from the 911 service charges it collects from consumers and remits to the Department an administrative allowance of five percent (5.00%).

➤ **What is the 911 Service Charge Initial Allowance?**

Sellers that collect the 911 service charge for prepaid wireless telecommunications service may retain all of the service charges collected in the first three calendar months beginning on or after July 1, 2013. The 911 Service Charge Initial Allowance should be reported on Line 4 of Form E-500L.

➤ **How is the 911 Service Charge Initial Allowance calculated for a monthly filer?**

A seller that selects a monthly filing frequency should enter the amount from Line 3 of Form E-500L on Line 4 for the first three monthly returns. Line 5 should reflect \$0.00 due for a seller with a monthly filing frequency for the first three monthly returns. For example, a seller registers to file and pay the 911 service charge monthly beginning July 1. The seller will retain all service charges collected for the months of July, August, and September; therefore, line 5 will be \$0.00 on the first three monthly returns.

➤ **Is a seller that registers to collect the 911 service charge for prepaid wireless telecommunications service that selects a monthly filing status required to file a return for the first three months since each seller is allowed to retain all of the service charges collected in the first three calendar months beginning on or after July 1, 2013?**

Yes, a seller is required to report the amount of 911 service charges collected and retained as an initial allowance to the Department on Form E-500L. Except for the first 3 months for a seller that selects a monthly filing status, Line 4 will be \$0.00.

➤ **How is the 911 Service Charge Initial Allowance calculated for a semiannual filer?**

A seller with a semiannual filing frequency who registers effective July 1 should compute the sum of the service charges due for July, August, and September, multiply that amount by 95.00% (0.95), and enter the result on Line 4 of Form E-500L. Subtract the amount on Line 4 from the amount on Line 3, and enter the difference on Line 5. Line 4 should be \$0.00 for a seller with a semiannual filing frequency for returns filed after the first semiannual period, provided the seller was required to register and collect the 911 service charge as of the first month in a semiannual period. A seller that becomes liable to collect the 911 service charge in the fifth or sixth month of a semiannual reporting period will be entitled to any additional initial allowance for the third month on the second semiannual return filed with the Department. Sellers that register on or after July 1, 2014 to report 911 service charges semiannually are allowed to retain all service charges collected for the first 3 months.

➤ **Where should a seller mail a completed Form E-500L and payment of collected service charges?**

Completed returns and payments of the 911 service charge should be mailed to the North Carolina Department of Revenue, PO Box 25000, Raleigh, NC 27640-0700. This address is noted at the bottom of Form E-500L.

➤ **What if a Form E-500L is filed after the due date?**

For a Form E-500L filed after the due date, add the **failure to file return penalty** equal to 5% of the amount of 911 service charge due on Line 5 of Form E-500L if the failure is for not more than one month, with an additional 5% for each additional month, or fraction thereof, during which the failure continues, not exceeding 25% of the 911 service charge in aggregate. If service charges are not paid on or before the due date of the return, add the **failure to pay tax when due penalty** equal to 10% of the total 911 service charge due on Line 5.

➤ **Is interest due on Form E-500L filed after the due date?**

If payment of the 911 service charges is made after the due date of a return, compute interest on the total 911 service charges due as shown on Line 5 of Form E-500L from the date the service charges were due, until paid. See the Department's website for the current interest rate.

Questions regarding these frequently asked questions can be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free).