

see paragraph (a) of § 49.4252-2. For provisions relating to coin-operated telephones, see section 4253(a) and § 49.4253-1.

(b) *Amounts paid.* For purposes of the tax in respect of general telephone service, the term “amounts paid” means the amounts collected for the service, whether the charge is made on a monthly or other periodic basis, or is based on the number of calls made, or is in the form of an assessment as in the case of a mutual telephone system. Where a basic periodic charge is made for the service, with additional charges for all calls or additional calls above a certain number, the additional charges are also subject to the tax. Other rules relating to amounts paid are as follows:

(1) Where the charge for telephone service includes an additional charge for not making payment within a specified time, the total amount paid including the additional charge is the basis for computing the amount of tax due. Similarly, where a discount is allowed for the payment within a specified time of a charge for service rendered, the tax is to be computed on the amount actually paid.

(2) Assessments or charges paid by members or subscribers of a mutual or cooperative telephone company, association, or system for switching services, or for the repair or replacement of instruments, poles, wires, equipment, etc., incidental to ordinary maintenance, are subject to the tax.

(3) All amounts paid by subscribers for private branch exchange service, for the use of switchboard, switching, and other telephone equipment, for the use of trunk line facilities, for tie lines connecting private branch exchanges, and for any extension line, are subject to the tax on general telephone service.

(4) The tax attaches to the total charge made to a hotel or similar subscriber for general telephone service furnished to the hotel or its guests, but no tax attaches to any charge made by the hotel for service rendered in placing the calls for its guests.

(5) In cases where a person leases lines or channels, equipment, and other facilities used in conjunction with general telephone service, the amounts paid by such person for such lines or

channels, equipment, and other facilities constitute amounts paid for general telephone service, notwithstanding the fact that the lines or channels, equipment, and other facilities used in conjunction with such service are supplied by different persons or in part by the user of such service.

(c) *Cross reference.* For other provisions relating to general telephone service, see § 49.4252-4.

§ 49.4252-2 Toll telephone service.

(a) *In general.* The term “toll telephone service” means any telephone or radio telephone message or conversation for which there is a toll charge, and the charge is paid within the United States. A toll charge is a charge made for such a message or conversation to a place beyond the local service area. For the meaning of the term “United States”, see paragraph (d) of § 49.4252-4.

(b) *Amounts paid.* (1) The tax in respect of toll telephone service is imposed on the total amount paid for the service, including any charge, in addition to the basic toll charge, made for “overtime” in connection with a telephone or radio telephone message or conversation.

(2) The tax attaches to the total charge made to a hotel or similar subscriber for toll telephone service furnished to the hotel or its guests, but no tax attaches to any charge made by the hotel for service rendered in placing the calls for its guests.

(c) *Cross reference.* For provisions relating to toll telephone messages communicated through the use of coin-operated telephones, see section 4253(a) and § 49.4253-1. For other provisions relating to toll telephone service, see § 49.4252-4.

§ 49.4252-3 Telegraph service.

(a) *In general.* The term “telegraph service” means a telegraph, cable, or radio dispatch or message for which the charge is paid within the United States. For the meaning of the term “United States”, see paragraph (d) of § 49.4252-4.

(b) *Amounts paid.* A charge made for a telephone toll call used by a telegraph company in effecting delivery of a telegraph message shall be added to the

basic charge for the transmission of the telegraph message for the purpose of determining the amount subject to tax. In such case, the telegraph company is not liable for tax on the amount paid by it to the telephone company for the toll call. A charge made for a telephone call which is used to reach a telegraph office for the purpose of sending a telegraph message should not be added to the basic charge for the transmission of the telegraph message, as the telegraph message is considered to begin at the telegraph office.

(c) *Cross reference.* For provisions relating to telegraph messages communicated through the use of coin-operated telephones, see section 4253(a) and § 49.4253-1. For other provisions relating to telegraph service, see § 49.4252-4.

§ 49.4252-4 Provisions common to telephone and telegraph services.

(a) *In general.* The tax applies to all amounts paid for services rendered which are incidental to the transmission of a message or conversation. Where dispatches, messages, or conversations are transmitted by telephone, radio telephone, telegraph, cable, or radio free of any charge whatsoever, no tax attaches, but where the carrier in fact makes some charge for the transmission, either in money, service, or other valuable consideration, such charge is subject to the tax upon the basis of the amount of the charge computed in money or money's worth. The tax is payable by the person paying the transmission charge and is to be collected by the person receiving the payment. If a message, dispatch, or conversation is transmitted "collect", the person who pays the charge therefor is liable for the tax. All telephone and telegraph transmission services when rendered for hire are subject to tax whether or not the agency furnishing such services is a common carrier. For provisions relating to the computation of tax with respect to charges for telephone and telegraph services, see section 4254 and §§ 49.4254-1 and 49.4254-2.

(b) *When transmission begins and ends.* Transmission begins when the message is delivered by the sender to the carrier, or its agent, and continues until

receipt by the addressee or his agent. Thus, an amount paid to a telephone, telegraph, radio, or cable company for messenger service in bringing the recipient of a message to the telephone, or in delivering a dispatch or message, must be included in determining the total amount subject to tax. However, an amount paid for messenger service rendered by a hotel or similar establishment is not to be included in the total charge on which the tax is computed.

(c) *Services rendered under contract.* (1) Except as an exemption may otherwise be specifically provided for in this part, where, under the provisions of a contract, dispatches, messages, or conversations are transmitted by telephone, radio telephone, telegraph, cable, or radio in consideration of the payment of a lump sum of money or the performance of services, the amounts paid for such transmissions are subject to tax regardless of whether such dispatches, messages, or conversations relate to the operation of the business of a common carrier and whether they are "on line" or "off line".

(2) Where a telegraph company agrees to transmit over its wires dispatches or messages relating to the business of a carrier free or at reduced rates in consideration of services to be performed by the carrier in transporting men or materials of the telegraph company, all such dispatches or messages are subject to tax.

(d) *Meaning of the term "United States".* For purpose of section 4252 (b) and (c), the term "United States" includes the States and the District of Columbia. Such term also includes inland waters (such as rivers, lakes, bays, etc.) lying wholly within the United States, and, where an international boundary line divides inland waters, such parts of such inland waters as lie within the boundary of the United States, and also the waters known as a marine league from low tide on the coast line. Ships within these limits whether of foreign or domestic registry are considered to be within the United States.

(e) *Exemptions.* For exemptions from the taxes imposed on amounts paid for telephone and telegraph services, see