

**§ 49.4253-7 Exemption for installation charges.**

(a) *In general.* The taxes imposed by section 4251 do not apply to any amount paid as is properly attributable to the installation of any instrument, wire, pole, switchboard, apparatus, or equipment.

(b) *Maintenance charges subject to tax.* The exemption provided by section 4253(g) and paragraph (a) of this section is applicable only to amounts paid for installation. Amounts paid for the repair or replacement of instruments, wires, poles, switchboards, apparatus, or equipment, incidental to ordinary maintenance, are subject to tax.

**§ 49.4253-8 Exemption for terminal facilities in case of wire mileage service.**

The taxes imposed by section 4251 do not apply to so much of any amount paid for wire mileage service as is paid for, and properly attributable to, the use of any sending or receiving set or device which is station terminal equipment. In general, the term "station terminal equipment" refers to any sending or receiving set or device which is located at the terminals of a line or channel, and does not refer to any such set or device which is otherwise a part of such line or channel.

**§ 49.4253-9 Exemption for certain interior communication systems.**

(a) *In general.* The taxes imposed by section 4251 do not apply to amounts paid for wire mileage service or wire and equipment service, if such service is rendered through the use of an interior communication system.

(b) *Interior communication system.* The term "interior communication system" means any system:

(1) No part of which is situated off the premises of the subscriber, and which may not be connected, directly or indirectly, with any communication system any part of which is situated off the premises of the subscriber; or

(2) Which is situated exclusively in a vehicle of the subscriber and which is not connected with a communications system.

(c) *Examples.* The following are examples of interior communication systems:

(1) Burglar, fire, or other alarm service, where the service consists of lines or channels and equipment which are contained solely in the building of the subscriber, and by means of which an alarm is sounded in the building in the case of illegal entry, fire, leakage, etc.

(2) Metering services, including lines or channels and equipment, furnished between two points which are located upon the subscriber's property, and which are not separated by property not owned or leased by the subscriber, over which signals are transmitted so that the subscriber may obtain information as to a given condition at one of the points, such as water level, water pressure, gas pressure, etc.

**§ 49.4253-10 Exemption for certain private communications services.**

(a) *In general.* The tax imposed by section 4251 on amounts paid for general telephone service does not apply to amounts paid for any such service furnished on or after January 1, 1963, to the extent that the amounts paid are for use of any telephone or radio telephone line or channel (including equipment, instruments, and other apparatus furnished exclusively for use in connection with the line or channel) in the conduct of a trade or business when such line or channel is furnished between specified locations in different States or between specified locations in different counties, municipalities, or similar political subdivisions of a State. The term "trade or business" as used in this section includes activities of organizations which are conducted with no purpose of gain or profit. A line or channel is considered to be furnished between specified locations only when the line or channel connects preselected points without the use of switching functions performed by a communications company exchange. Where an amount is paid which includes a charge for such a line or channel and also a charge for the service provided by means of switching functions performed by a communications company exchange, the exemption is applicable only to that portion of the amount so paid as is attributable to such a line or channel. The preselected points must be located in different States or in different counties or municipalities of the same State. If the preselected points are located in a

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State in which the political subdivisions are not denominated as counties or municipalities, then the preselected points must be in different political subdivisions of such State which correspond to counties or municipalities. For purposes of this paragraph the term "municipality" means the largest political subdivision of a State below the level of county or similar subdivision. For the exemption to apply, the charge for the service must be billed in writing to the person paying for the service and such person must certify in writing that the service is for use in the conduct of a trade or business.

(b) *Exemption inapplicable.* This particular exemption is not applicable in the case of taxes imposed on amounts paid for other services by section 4251, even though such services are utilized in the conduct of a trade or business.

### § 49.4253-11 Use and retention of exemption certificates.

A separate exemption certificate (as required by §§ 49.4253-3 and 49.4253-4) shall be furnished for each message paid for as a separate item, but where periodic payments are made, a blanket certificate (for a period not to exceed four calendar quarters) may be accepted as evidence of the right to exemption. An agent of a telegraph, telephone, radio, or cable company should not accept an exemption certificate unless satisfied, on the basis of proper credentials or otherwise, that the person who signed it is the person whom he represents himself to be and that the exemption claimed is allowable under the law. Exemption certificates should be retained with the record of the services rendered for inspection by internal revenue officers as provided in section 6001 and the regulations in Subpart G of this part.

### § 49.4253-12 Cross reference.

For exemptions applicable to amounts received as payment for services furnished to the government of any State or political subdivision of a State, to the District of Columbia, to the government of the United States, or to certain nonprofit educational organizations, see sections 4292, 4293, and

4294, and the regulations thereunder contained in Subpart F of this part.

### § 49.4254-1 Computation of tax.

(a) *General rule.* Except as provided in paragraph (b) of this section, when a bill is rendered to the taxpayer covering charges for general telephone service, toll telephone service, or telegraph service, with respect to which a tax is imposed by section 4251, the amount upon which the tax with respect to such services shall be based shall be the sum of all such charges for such services included in the bill.

(b) *Special rule in certain cases.* When a bill is rendered to the taxpayer covering charges for general telephone service, toll telephone service, or telegraph service, with respect to which a tax is imposed by section 4251, by a person who groups individual items for purposes of rendering the bill and computing the tax, then the amount on which the tax with respect to each such group shall be based shall be the sum of all items within that group, and the tax on remaining items not included in any such group shall be based on the charge for each item separately.

### § 49.4254-2 Payment for toll telephone service or telegraph service in coin-operated telephones.

Where the tax on a toll telephone or radio telephone message or conversation, or a telegraph, cable, or radio dispatch or message is paid by inserting coins in a coin-operated telephone, the tax shall be computed to the nearest multiple of 5 cents, and where the tax is midway between multiples of 5 cents, the next highest multiple shall apply. In other words, one-half or a greater fraction of 5 cents shall be treated as 5 cents and a smaller fraction shall be ignored.

## Subpart D—Transportation of Persons

SOURCE: T.D. 6430, 24 FR 9665, Dec. 3, 1959, unless otherwise noted.

NOTE: For exemption from tax on transportation of persons by air of amounts paid by the Department of the Interior for fire prevention and control activities, see 32 FR 5457, April 1, 1967.