

TELECOMMUNICATIONS UNBUNDLING PROVISIONS

Draft dated 11/13/2002

(a) Except services and products exempted by federal law, in the case of a bundled transaction of telecommunication services, if the price is attributable to services that are taxable and services that are nontaxable, the portion of the price attributable to the nontaxable services shall be subject to tax unless the provider can reasonably identify such portion from its books and records kept in the regular course of business for other purposes.

(b) Except services and products exempted by federal law, for periods on or before December 31, 2005 in the case of a bundled transaction of telecommunication services, if the price is attributable to services that are subject to tax at different rates, the total price shall be treated as attributable to the services subject to tax at the higher rate unless the provider can reasonably identify the portion of the price attributable to the services subject to tax at the lower rate from its books and records kept in the regular course of business for other purposes.

(c) This section shall also apply to a bundled transaction of telecommunication services and ancillary services that include, but are not limited to, such services as call waiting, caller identification, or directory assistance, regardless whether a state considers such ancillary services to be telecommunication services.

(d) If any product or service exempt from taxation by federal law is included in a bundled transaction of telecommunications services the provider shall reasonably identify from its books & records the portion of the bundled transaction attributable to the exempt items by federal law.