

# Excise Tax Advisory

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## Telephone Answering Services

### 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?

A telephone answering service is a business that uses people to provide or primarily provide services such as telephone answering, message taking, call screening and evaluation, logging of times and messages, etc. Providers of such activities are properly taxed under the service and other activities classification of the B&O tax.

Modern technology and rapid innovation in the telephone industry have given rise to business activities that involve call management but do not fall within the above description of a telephone answering service. RCW 82.04.050 classifies certain of these activities as subject to retail sales tax and the retailing B&O tax. RCW 82.04.065 provides definitions relating to these retailing activities.

### Classification of retail services

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. “Competitive telephone services”, “telecommunication services”, and “ancillary services” (including “vertical service” and “voice mail service”) are defined in RCW 82.04.065 as follows:

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"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.

"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."

"Vertical service" means an ancillary service that is offered in connection with one or more telecommunications services, that offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections, including conference-bridging services.

"Voice mail service" means an ancillary service that enables the customer to store, send, or receive recorded messages. "Voice mail service" does not include any vertical services that the customer may be required to have in order to use the voice mail service.

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

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would satisfy the retail definitions presented above. However, an automated service that answers phone calls and records/retains messages is a voice mail service, the sale of which is a retail sale.

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**Summary**

A telephone answering service using people to answer phones on behalf of customers is an activity subject to the service and other activities B&O tax rate. Such activities can include taking messages for the customer, and providing information to the caller. However, a service where messages are recorded through automated means, giving the customer the ability to store, send, or receive recorded messages, is a voice mail service, subject to the retail sales tax, and the retailing B&O tax.

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