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June 5, 2008

Dear

Thank you for your letter dated June 3, 2008, in which you request an informational letter regarding the effect of the Internet Tax Freedom Act Amendments Act of 2007 on Missouri sales tax law. This letter is for informational purposes only and is not binding on the Department of Revenue.

Missouri currently imposes a sales tax on the amount charged a customer for DSL services provided with Internet services. The amount subject to sales tax is the amount a customer is charged that exceeds the basic charge for Internet services. For example, if basic Internet service is \$10 a month and DSL service with Internet service is \$30 a month, sales tax is imposed on \$20.

The Internet Tax Freedom Act Amendments Act of 2007 amended several provisions of the Internet Tax Freedom Act. The amendments are generally effective as of November 1, 2007. This federal law controls over state law for tax purposes.

Issue:

Is Missouri precluded from imposing a sales tax on the additional charge for DSL service that is provided as a high-speed telecommunications service with Internet services on or after June 30, 2008?

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Answer:

Missouri is precluded from imposing a sales tax on the additional charge for DSL service that is provided as a high-speed telecommunications service with Internet services on or after June 30, 2008.

The Internet Tax Freedom Act Amendments Act of 2007 (the "Act") amended several provisions of the Internet Tax Freedom Act. The amendments are generally effective as of November 1, 2007. This federal law controls over state law for tax purposes.

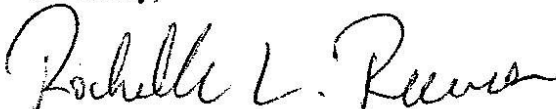
Section 1105 of the Act added paragraph (5) and a definition for "Internet access." DSL services are within the definition of Internet access under the Act. With the new definition, certain states are prohibited from imposing a tax on Internet access. For states that taxed the telecommunications service provided with the Internet service, the new definition of Internet access and prohibition of a state imposing a tax on the telecommunications service providing the Internet service is effective June 30, 2008.

Missouri currently taxes the additional charge for DSL services provided with Internet services. Under the Act, effective June 30, 2008, Missouri can no longer tax the additional charge for DSL services.

As noted above, this is an informational letter only, not a binding letter ruling. The information in this letter is intended to provide you with guidance on the possible tax consequences of the specific facts you have presented. The discussion included in this letter is not, however, a complete or definitive explanation of the department's official policy on the issues presented. You are advised that the department may take a position different from the one stated in this letter without additional notice to you.

Should additional information be needed, please contact Roger L. Freudenberg, General Counsel's Office, Post Office Box 475, Jefferson City, Missouri 65105-0475, or me.

Sincerely,



Rochelle L. Reeves
Director of Legal Services
& General Counsel

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