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Sales and Use Tax - Prepaid Satellite Programming. THE TERM GROSS RECEIPTS INCLUDES PROCEEDS FROM THE SALE OF PREPAID SATELLITE TELEVISION PROGRAMMING CARDS. STATE TAX WILL BE COLLECTED ON SUCH GROSS RECEIPTS AT THE TIME AND LOCATION OF THE SALE.

Advice has been requested regarding the application of sales tax to prepaid satellite television programming cards (prepaid cards).

Prepaid cards permit purchasers to receive satellite television programming services for a stated period of time. The cards are used to activate a satellite television receiver using the receiver's specific and unique identification information. Any satellite television receiver compatible with the satellite programming service provider (Provider) may be activated.

Prepaid cards are similar in function to prepaid telephone calling arrangements. As a result, the Provider may not have access to the location information where the service is actually being provided, to price information for the sale of the card, or to information regarding the location where the card was sold. Pursuant to Neb. Rev. Stat. §§77-2701.16(9) and 77-2703.01(3), the gross receipts from the sale of satellite programming services are subject to tax at the location where the services are provided to the purchaser. In order to determine the service location, it would require the retailer of the cards to obtain additional information from the customer and provide that information to the Provider. Therefore, the Department will permit retailers of prepaid cards to collect and remit tax at the time the cards are sold to the purchaser.

Since the sale of the prepaid card is taxed, the satellite television programming services provided pursuant to the activation of the card are not taxable.

As provided in Local Option Sales and Use Tax Regulation 9-011, local option sales tax does not apply to direct-to-home satellite programming services. Therefore, sales of the prepaid cards and other prepaid programming arrangements for direct-to-home services are subject only to the state sales tax. See Revenue Ruling 9-06-1.

APPROVED:



Mary J. Egr Edson
State Tax Commissioner

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