Excise Tax on Indoor Tanning Services
Frequently Asked Questions

Beginning July 1, 2010, indoor tanning services will be subject to a 10 percent excise tax under the Affordable Care Act.

1. Who must pay the indoor tanning services tax?

   A. Indoor tanning service providers are responsible for collecting the tax from the person paying for the service and in some situations, from the person receiving the service.

2. What is taxable indoor tanning service?

   A. Taxable indoor tanning service means a service employing any electronic product designed to incorporate one or more ultraviolet lamps intended for the irradiation of an individual by ultraviolet radiation, with wavelengths in air between 200 and 400 nanometers, to induce skin tanning.

3. If the tax is not collected from the person paying for the service, or for an undesignated payment from the person redeeming the gift card, then who is liable for the tax?

   A. The person receiving the payment for the indoor tanning service (usually, the provider of the service) is liable.

4. Who must report the tax to the government?

   A. The person receiving the payment for the indoor tanning service must report the indoor tanning services tax on Form 720, *Quarterly Excise Tax Return,* and remit the full amount of tax with a timely-filed return.

5. Is phototherapy service exempt from the indoor tanning services tax?

   A. It is exempt from the indoor tanning services tax if performed by a licensed medical professional on the medical professional's premises.

6. What is phototherapy service?

   A. Phototherapy service is a service which exposes an individual to specific wavelengths of light for the treatment of dermatological conditions, sleep disorders, seasonal affective disorder or other psychiatric disorder, neonatal jaundice, wound healing, or other medical condition determined by a licensed medical professional to be treatable by exposing the individual to specific wavelengths of light.

7. How do I report the indoor tanning services tax?

A. Report the indoor tanning services tax on Form 720, *Quarterly Federal Excise Tax Return*. The IRS is revising Form 720 to add a line for the indoor tanning services tax.

8. If an indoor tanning service provider does not have an Employer Identification Number (EIN), what should they do?

A. All indoor tanning service providers who do not have an EIN must acquire an EIN in order to file and remit tax due on Form 720. Instructions on how to obtain an EIN are on IRS.gov. Indoor tanning service providers can apply or an EIN online or by phone, fax or mail.

9. How does the indoor tanning service provider pay the tax due for indoor tanning services?

A. The indoor tanning service provider must remit the full amount of tax with a timely-filed Form 720. Excise tax deposits are not required for the tax on indoor tanning services.

10. When is Form 720 due?

A. Form 720 is filed quarterly. The first return to report the indoor tanning services tax is due on October 31, 2010 for the third quarter period including July, August and September 2010. Quarterly return due dates for the remainder of the year are as follows:

For the months:	Due by:
Jan., Feb., Mar.	April 30
Apr., May, Jun.	July 31
Jul., Aug., Sep.	Oct. 31
Oct., Nov., Dec.	Jan. 31

11. If a taxpayer provides indoor tanning services at more than one tanning salon and each salon has a different EIN, can the taxpayer file one Form 720 to report the indoor tanning services tax for all the salons?

A. No, a separate Form 720 must be filed for each establishment with its own EIN.

12. If an invoice includes other goods and services in addition to indoor tanning services, how are the non-tanning services handled?

A. The service provider does not calculate tax on non-tanning services, as long as the fair market value of all goods and services are listed separately on the invoice, so that the invoice shows the exact dollar amount for each good or service.

13. How does a service provider handle a transaction when indoor tanning services are bundled with other services, including “free” or reduced rates for indoor tanning services? What about bundled services that include unlimited indoor tanning services?

A. If the invoice shows bundled services that include indoor tanning services, the service provider calculates the tax using a ratio based on the non-bundled price of each service. If the provider does not normally charge for a certain service separately, the provider should use the fair market value for purposes of this calculation. To create the ratio, divide the non-bundled price for the indoor tanning services by the charge for the total non-bundled price of all services in the bundle and apply that ratio to the bundled charge to obtain the taxable amount. The tax is 10 percent of the taxable amount. If the invoice shows bundled services that include unlimited indoor tanning services, the service provider calculates the tax the same way.

Example: A salon operator offers a special bundle price for 10 swimming lessons and two "free" indoor tanning services for $200. Outside of the bundled service, the operator charges $20 for each swim lesson and $15 for each tanning service, for a total regular charge of $230. The amount subject to tax for the bundled service is computed as 30/230 x 200 = $26.08. The indoor tanning tax is 10 percent of $26.08, which is $2.60.

14. How does the service provider handle a transaction (such as the sale of a gift certificate) when the provider cannot determine at the time of sale what, if any, portion of the gift certificate will be redeemed for an indoor tanning service?

A. Any payment (such as the sale of a gift certificate) that is received in exchange for unspecified services is not subject to tax at the time of payment. When the holder of the gift certificate exchanges the gift certificate for indoor tanning services, the provider will determine and collect any tax due on the indoor tanning services.

15. If a customer redeems a gift card but does not use it for indoor tanning services, is the indoor tanning tax applicable?

A. No, the tax does not apply.

16. If a customer purchases a gift card for indoor tanning services, pays the tax and does not use the card, is the purchaser entitled to a refund of tax?

A. No, there is no provision for refunding the tax once the service for indoor tanning services is purchased.

17. How does insurance reimbursement affect the indoor tanning tax?

A. The tax is collected by the provider at the time of payment – even if some or all of the payment will later be reimbursed by insurance.

18. A tax-exempt university charges students an activity fee that entitles them to indoor tanning services. Since the university is a tax-exempt educational institution, is it exempt from collecting and remitting the indoor tanning services tax?

A. No, there is no exemption from the indoor tanning services tax for tax-exempt entities.

19. What is a qualified physical fitness facility?

A. A "qualified physical fitness facility" is a facility (i) in which the predominant business or activity is providing facilities, equipment and services to its members for purposes of exercise and physical fitness, (ii) indoor tanning services is not a substantial part of its business and,.(iii) it does not offer tanning services to the public for a fee or offer different pricing options to its members based on indoor tanning services. To determine the predominant business or activity all facts and circumstances should be considered including, but not limited to, the following:

- the cost of the equipment
- variety of services offered
- actual usage of services by customers
- revenue generated by different services and
- how the entity holds itself out to the public through advertising or other means.

20. Are membership fees taxable when paid to a "qualified physical fitness facility" that provides access to indoor tanning services?

A. No, the membership fee is not subject to the indoor tanning services tax if the facility meets the definition of a "qualified physical fitness facility."

21. Do indoor tanning services include spray tans or topical creams and lotions purchased at tanning salons?

A. No, the tax does not apply to spray tans or topical creams and lotions.

22. If a provider of indoor tanning services did not collect the tax at the time of payment, how is the tax computed?

A. If the invoice does not separately state the tax, then the amount shown is presumed to include the indoor tanning tax amount. The provider multiplies the invoice amount by .09091 to obtain the tanning tax. For example, if the invoice shows a $15.00 charge for indoor tanning services, then the provider should remit $1.36 for indoor tanning services tax ($15 x .09091) and apply $13.64 ($15 – $1.36) to the actual tanning service.

23. What are the requirements for keeping records for indoor tanning services?

A. As with any other tax return, the tanning service provider must maintain adequate books and records showing the amount of revenue received for indoor tanning services.