

# Indoor tanning service providers must file a Federal Excise Tax Return

---

The Affordable Care Act established Internal Revenue Code section 5000B, which imposes a tax on indoor tanning services effective July 1, 2010. The tax will be 10-percent of the amount paid for indoor tanning services, including payments by insurance.

Indoor tanning service providers will be responsible for collecting and remitting the new tax. The service provider collects the tax from the person paying for the service. If the service provider does not collect the tax from the person paying for the service, then the *service provider* becomes responsible for the tax.

If it cannot be determined whether an amount has been paid for indoor tanning services (such as for an undesignated gift certificate), then the liability does not arise until such time as the service provider can reasonably determine that the amount paid is for indoor tanning services.

Organizations that are usually considered tax exempt, such as universities or private clubs, must collect the tax on indoor tanning services.

Licensed medical professionals providing phototherapy services on their premises are exempt from the tax.

A qualified physical fitness facility is also exempt from the tax. The exemption is met if the facility is predominantly in the business or activity of providing exercise and physical fitness (based on the facts and circumstances); indoor tanning services is not a substantial part of the business or activity; and the business does not offer indoor tanning services for a fee to the public or otherwise offer different pricing options to its members for indoor tanning services.

All service providers must report the indoor tanning tax on [Form 720](#), *Quarterly Federal Excise Tax Return*. The IRS is revising Form 720 to add a line to report the amount collected for the indoor tanning services tax.

All service providers who do not have an Employer Identification Number (EIN) must obtain one to file and remit tax due on Form 720. Instructions on how to obtain an EIN are available on [IRS.gov](#). Service providers can apply [online](#) or by [phone, fax, or mail](#).

The first return is due October 31, 2010 for the period of July, August and September 2010. Thereafter, service providers must file returns on a quarterly basis. The service provider must pay the quarterly indoor tanning services tax liability in full at the time it files Form 720.

Each entity required to have an EIN must file a separate Form 720 to report the tax. No excise tax deposits are required for the tax on indoor tanning services.

Service providers who do not file Form 720 and remit the tax by the due date may be subject to a penalty, as will any person who intentionally fails to collect and remit the tax.