

Unpacking communications tax compliance



Disclaimer

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Avalara

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 - Questions display for a limited amount of time
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Downloading Certificate

- Download the certificate once you qualify
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- Those that qualify will also receive their certificate in a post-event email

Meet your presenters



Steve Lacoff

VP & General Manager,
Communications

Avalara

With a focus on data, VoIP, and video streaming, Steve has spent more than 15 years in various general manager, product, and marketing leadership roles in the communications and technology industries, including Disney's streaming services and Comcast's technology solutions.

Steve now drives the overall Communications business unit strategy and regularly provides thought leadership on today's changing industry landscape and associated tax impacts.



Toby Bargar

Senior Tax Strategist

Avalara

Toby is an attorney and senior tax strategist in the Communications business unit at Avalara. He regularly speaks about and advises customers on complex transaction tax issues, particularly in the field of communications tax and regulatory surcharges.



Cassandra Mosher

Product Manager,
Communications

Avalara

Cassandra has been with Avalara for almost 5 years, working in the Communications Business Unit. She started out as a Tax Research Analyst and has since become the Product Manager for the Communications Business Unit.

Communications tax

What services are subject to Communications Tax?

A 50k foot view



Communication / Entertainment

- › Traditional Voice
- › Voice over Internet Protocol (VoIP)
- › SMS & Messaging
- › Pay TV & Streaming
- › Texting/short-message service (SMS)



Collaboration

- › Unified communications as a service (UCaaS)
- › Audio/video/web conferencing
- › Communications platform as a service (CPaaS)



Technology

- › Cloud computing
- › Hosting
- › Managed services
- › Software as a service (SaaS)



Networking

- › Private Data services (wireline or wireless)
- › Cloud connectivity
- › Software-defined networking (SDN)

Communications taxes
are proliferating



API-based
communications



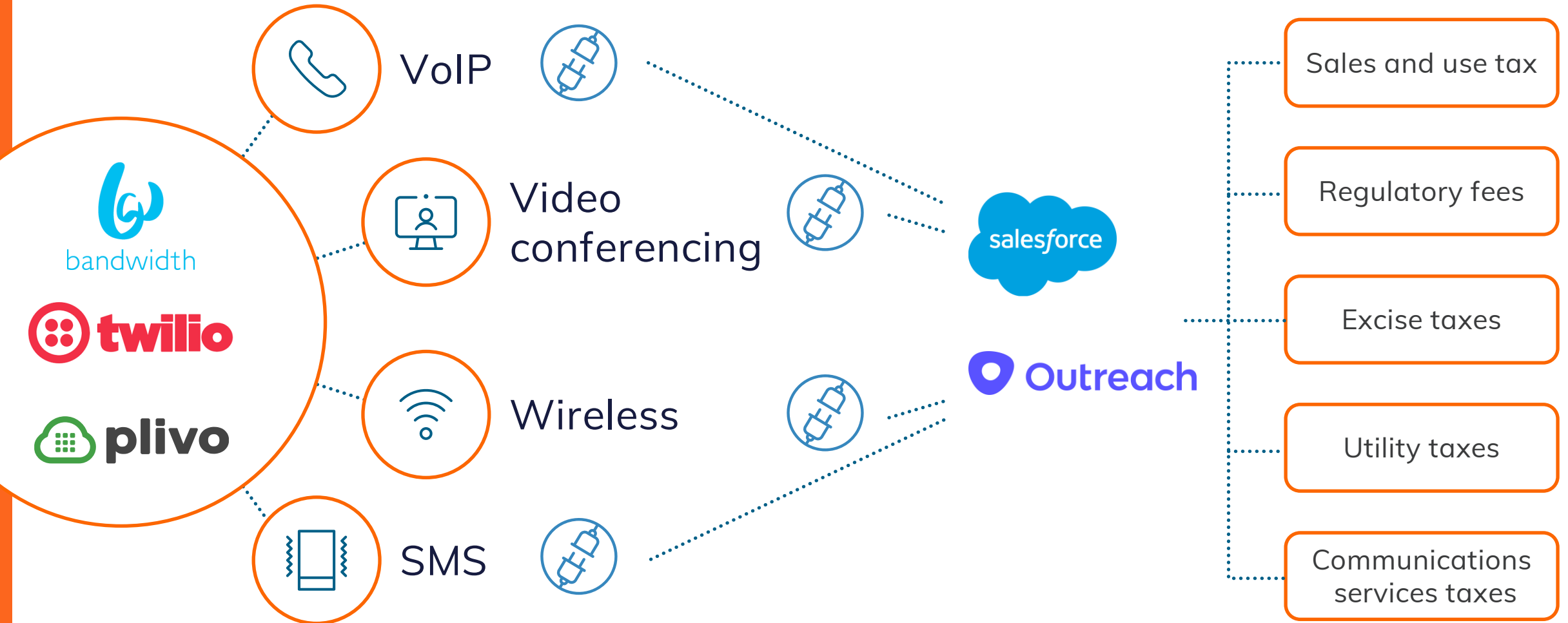
Streaming



IoT devices

Embedding communications features has never been easier ...

... but creates more tax complexity.



Is communication “material” to your business?



SaaS-enabled capabilities

	VOICE	SMS	VIDEO	DATA/ WIRELESS
Outbound marketing	X	X		
Contact center, IVR, and bots	X	X	X	
Notifications and alerts	X	X		
IoT and connected devices		X		X



What makes communications tax so hard?



Multiple taxes often
apply to the same
service



Wide variance in tax
application for
different types of
communications
services

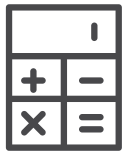


Different tax
outcomes for
different types of
buyers and sellers



Complicated situs
rules

What makes communications tax so hard?



Complicated math



Tax presentation
requirements



Messy nomenclature

Communication taxes – What are they?

A 50,000-foot view

Communications taxes typically fall into **two main categories** (but there is some blur):

Taxes that apply to the seller

and are passed on as surcharges



Universal Service



Telecommunications Relay Services



Lifeline Surcharge



Regulatory Agency Fees



Economic Activity Taxes



Local Regulatory Charges

Taxes that apply to the buyer



Sales tax



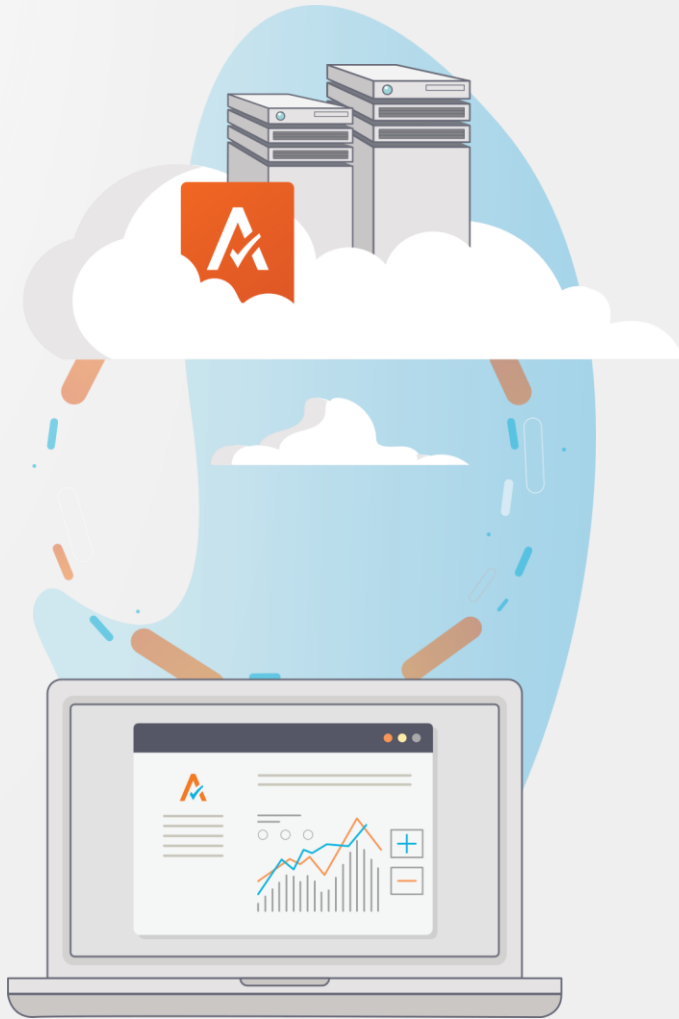
Excise tax



UTT/CST



E911/Poison Control/Suicide Prevention



Tax implications

VoIP / UCaaS / CPaaS

- > Interconnected vs Non-Interconnected VoIP
- > Nomadic support
- > Bundles of usage and features
- > Location sourcing for remote user
- > 911 & other per-line fees
- > 988 fees



Tax implications

SaaS and IaaS

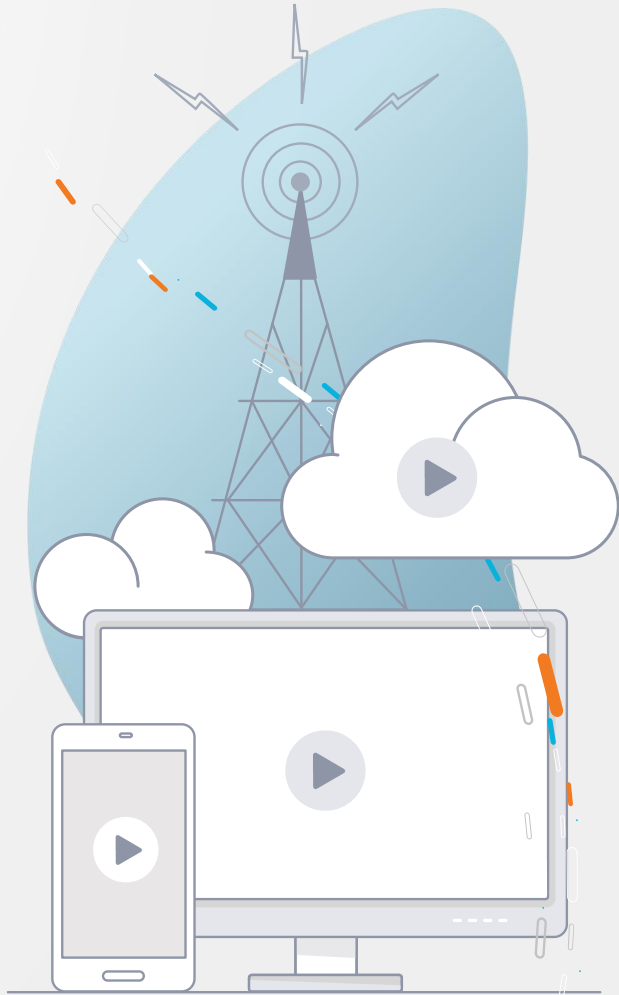
- Service Type: Storage vs. processing vs. SaaS
- Tax Type: Sales tax vs. rental tax
- Sourcing: User location vs. billing address vs. server site
- Data Type: Public vs. private information



Tax implications

IoT

- > BYOI vs dedicated data connection
- > If it's a dedicated connection, does it really qualify as internet service?
- > Is there a human interface and/or access to the WWW?
- > Is your organization legally qualified as an ISP?
- > If the connection is WAN/LAN, the tax implications are dramatic: Sales and use taxes plus a raft of communications taxes and FUSF



Tax implications

Streaming

- > Many states already actively tax streaming services (with more on the way)
- > Taxes apply to more than just "TV"
- > Taxes aren't applied uniformly and require understanding of various streaming mediums

Implications of cord-cutting

Jurisdictions seeking to replenish lost revenues

Lots of states are
actively taxing
streaming services

Sales tax

FL Comms Service Tax

KY Utility Tax

CA Utility User Tax (UUT)

Chicago Amusement Tax

...with many having
contemplated new
taxes...

ME

UT

IL

KS

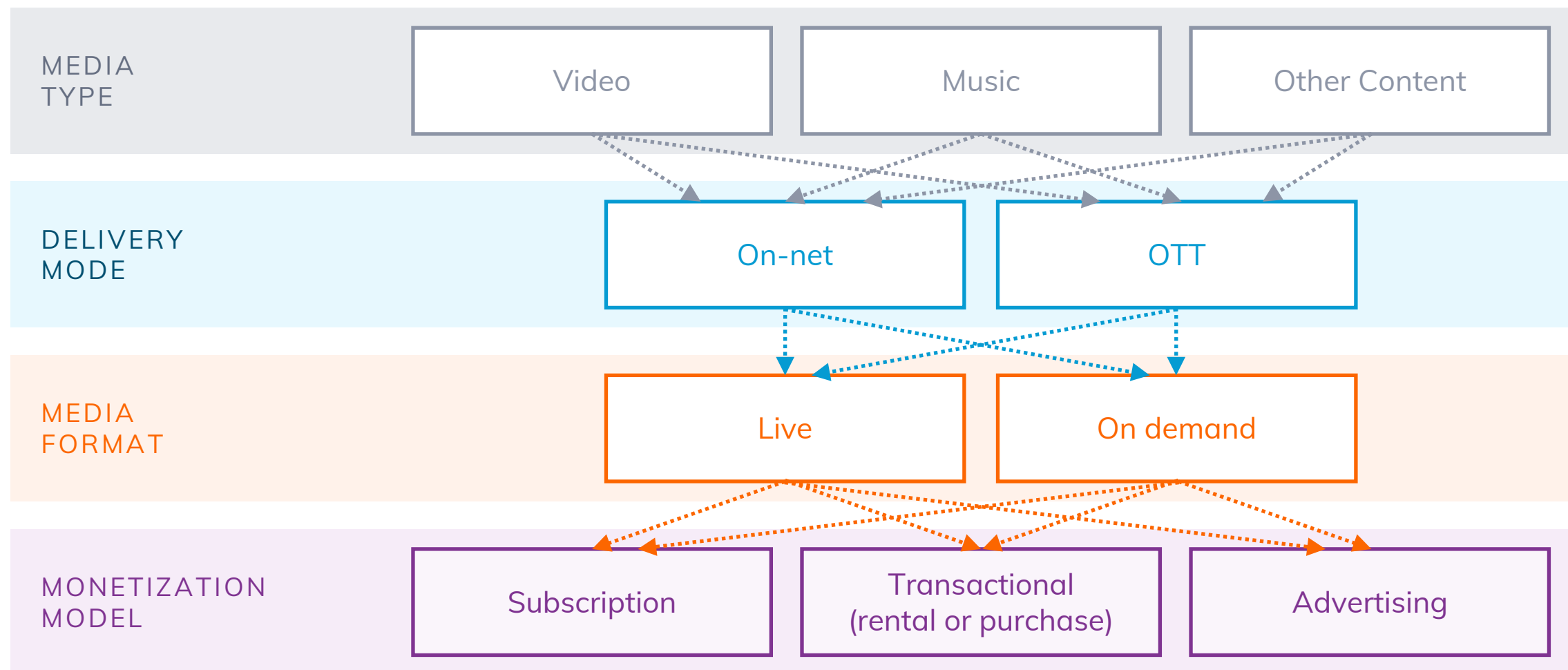
MA

...when will the other
shoes drop?



Navigating a maze of complexity

Taxes aren't applied uniformly, requiring lots of considerations



Navigating a path forward – key considerations

CHALLENGE:

Bundling

KEY QUESTIONS:

- › Will you be expanding your existing bundle(s) with new services?
- › What is the mix of highly taxable with less taxable?
- › Can your Billing/ERP/Tax systems support the new service offerings?

CHALLENGE:

Exemptions

KEY QUESTIONS:

- › Will you be reselling someone else's solutions?
- › Will you be offering your solutions to someone else for resale?
- › Are you equipped to handle the exemptions either way?

CHALLENGE:

Geographic Expansion

KEY QUESTIONS:

- › Most of these products are borderless – will you wind up doing business in new places?
- › Will you need to collect/remit in these jurisdictions?

CHALLENGE:

Tax Filing

KEY QUESTIONS:

- › New products could trigger a tax you were not filing previously. Do you need to plan for additional registrations?

Complexity is clear, how do you prepare?



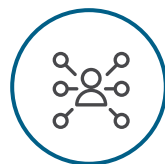
1. Tax experts should be involved early and often



2. Monitor tax and regulatory changes across jurisdictions



3. Proceed with caution when determining new tax liabilities



4. Prepare your technology for specialized taxes

- Support for both sales and use + communications taxes
- Detailed breakout of taxes for engine compliance
- Granular reporting to power returns
- Invoicing requirements

Take advantage
of the experts

Avalara for Communications

E2E platform powering the tax & compliance needs for communications & media providers

- **Native SaaS platform** delivering high resiliency & scale for real-time or batch processing
- **Highly accurate tax calculations** with geospatial jurisdictional assignment, complex tax-on-tax logic, bundling & custom override rules
- **Breadth & depth of global content** spanning full array of communications media products & services
- **Comprehensive & timely returns** filing, remittance, notice management and reporting for all jurisdictions & tax types
- **Ease of integration** through ecosystem of pre-built connectors, simple REST API or file-based batch processing



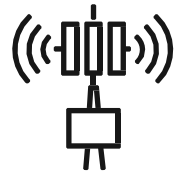
Avalara for Communications

Serving tax & compliance needs for communications & media providers for 20+ years



2.5B+

Invoice line items
processed



8.5B+

Communications
taxes calculated



7,000+

Library returns
forms



600K+

North American
jurisdictions



120+

Countries with
content
(country specific
details upon request)

Comprehensive support

Our solutions power tax & compliance for companies of any size & across any industry vertical



VoIP & UCaaS



Wireline & Wireless



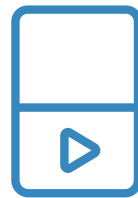
Managed Services
Providers



Hosting, Connectivity
& Cloud



Collaboration



Streaming



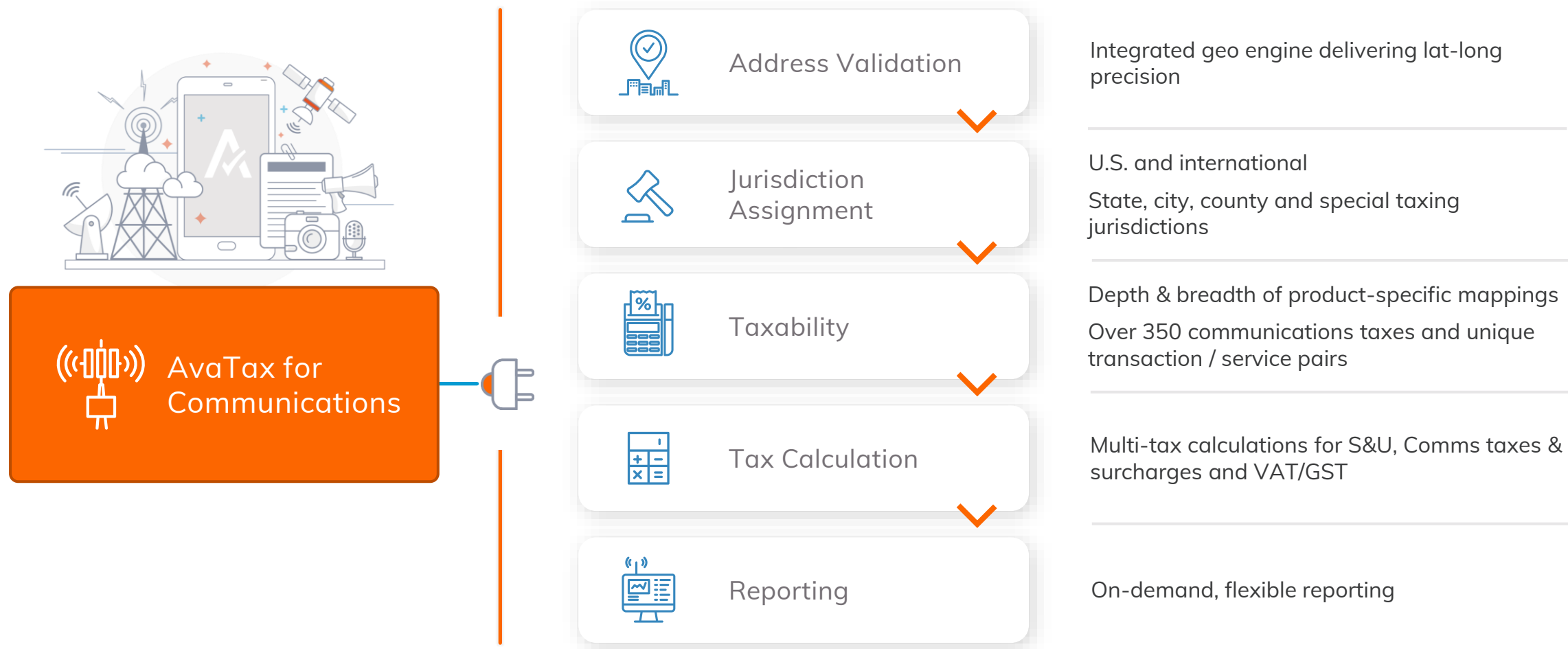
IoT



CPaaS & SaaS

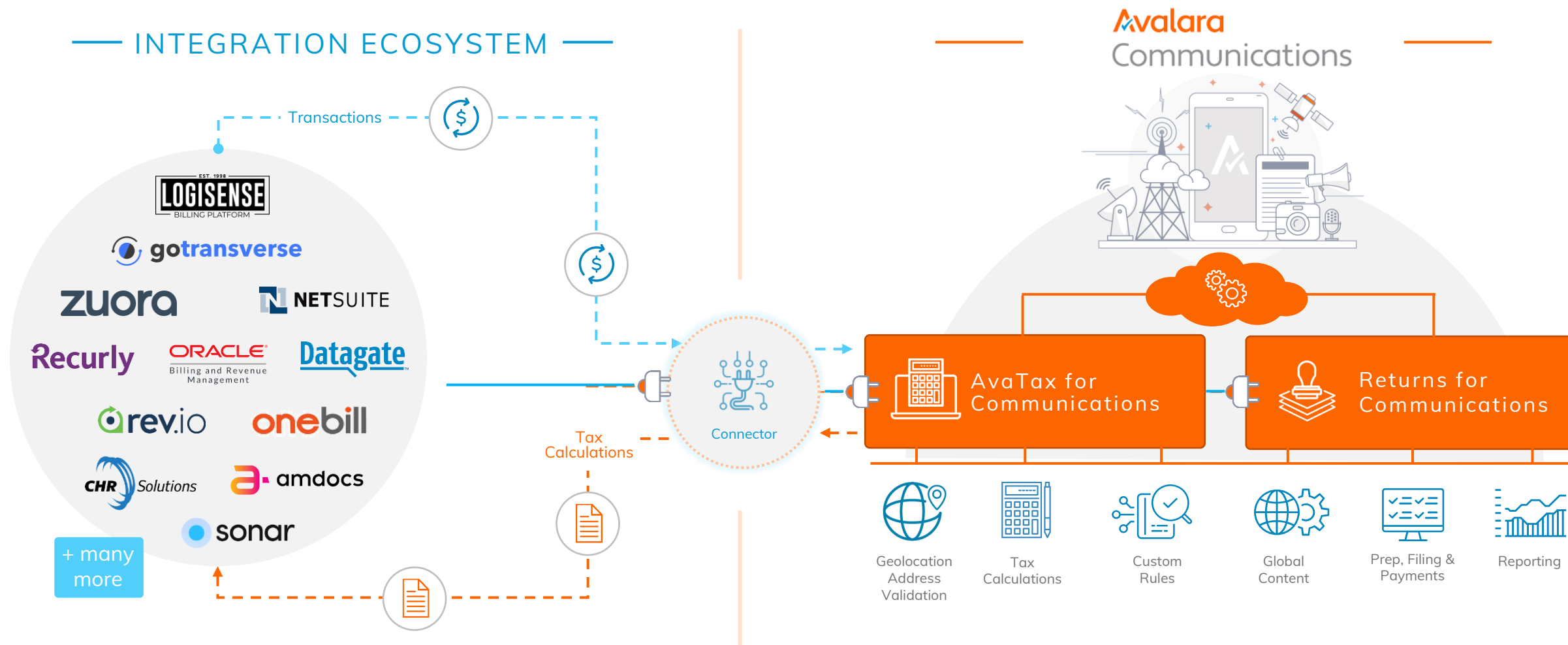
AvaTax for Communications

Fully featured tax engine unifying all tax calculations in a single call



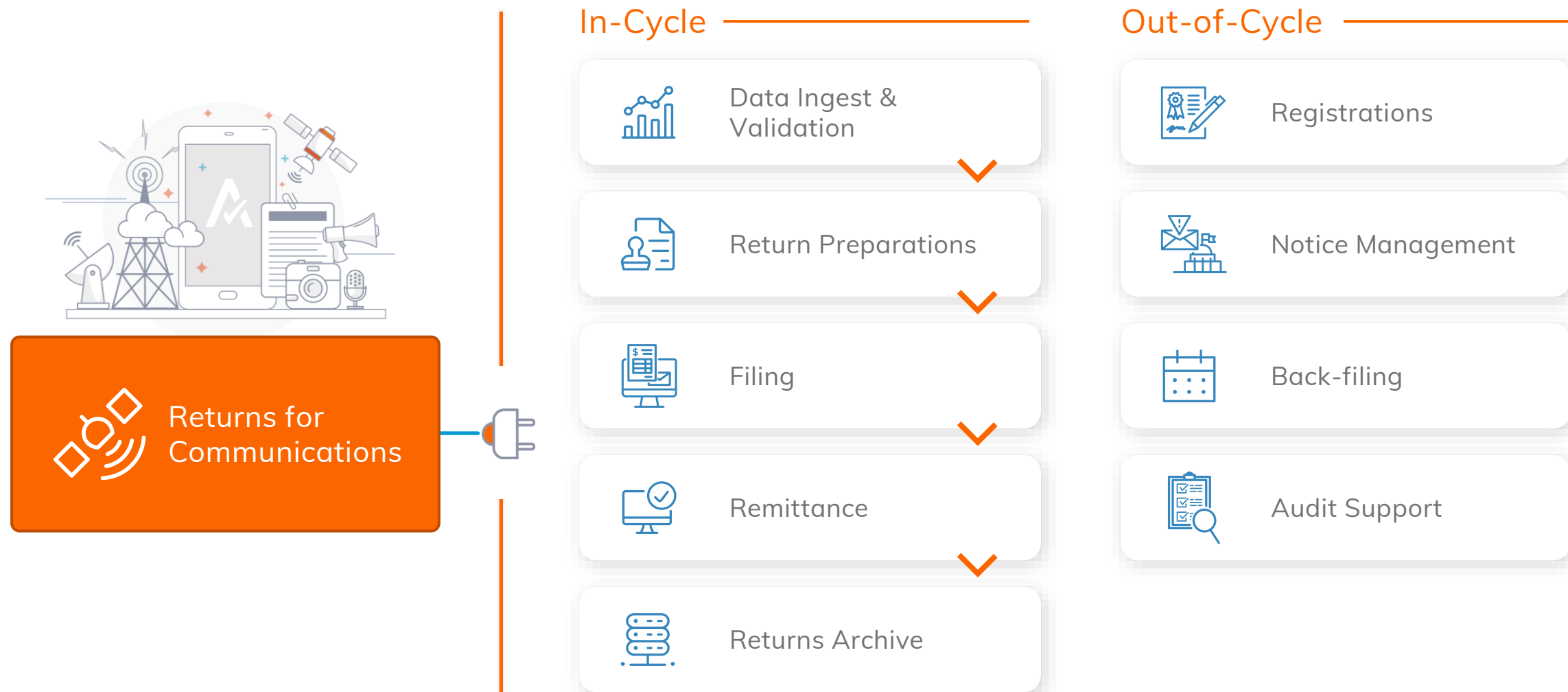
Deep, ever-growing ecosystem of integrations

Pre-built connectors providing out-of-the-box integration to the industry's most popular billing platforms.



Avalara Returns for Communications

A fully managed and complete compliance solution



Comprehensive returns coverage

Support for all 50 states & territories as well as Canada the related county & local jurisdictions

Automated
returns library of

7,000+

Forms spanning
all 50 States,
territories &
Canada

General



Sales & Use



Business / Occupation
/ License



Excise & Franchise



Gross Receipts

Communications-Specific



Communications
Service Tax



E-911



Public Utility
Commission



Right of Way



Telecom Infrastructure
Maintenance



Telecom Relay Services



Universal Service Fund



Utility User Tax

How we do it – Avalara Tax Research



Helps you get tax right with up-to-date sales and use tax research relevant to your business



Saves time and frustration with explanations that are easy to search, understand, and reference



Reduces cost of manual research



Questions

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