



**Are you on the hook for
communications taxes? Simplify
compliance to scale your business**

DISCLAIMER

While we hope you'll find this discussion helpful, this session is for informational purposes only and is not legal or tax advice.



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- Avalara reserves the right to change the functionality, release dates, technology, initiatives, and plans described herein without notice or duty to update.



Continuing Professional Education (CPE)



Qualifying for credit

- > Respond to **3 of 4** poll questions
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Downloading Certificate

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➤ **Meet your presenters**



Toby Bargar

Senior Tax Strategist



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.



Chris Brown

CTO, LogiSense Corporation



Chris Brown is a seasoned technology executive with over two decades of experience in IT and Software Development. He has a strong track record of leading high-performing teams, driving innovation, and aligning technology strategies with business objectives.

Agenda

- 01** Identifying hidden compliance risks by understanding how communications taxes may impact your business
- 02** Scaling with confidence by learning strategies to manage tax complexities when expanding through mergers, new markets, or service bundling
- 03** Implementing proactive compliance strategies to avoid costly mistakes with proper planning
- 04** Leveraging automation to save time and resources, so you can focus on growing your business
- 05** Q&A

CPE POLL QUESTION #1

Do you automate tax calculation or compliance?

A Yes, tax calculations ONLY

B Yes, returns ONLY

C Yes, both

D No



➤ **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)



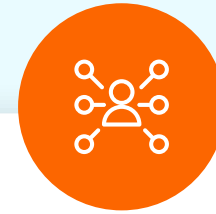
Collaboration

- › 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**



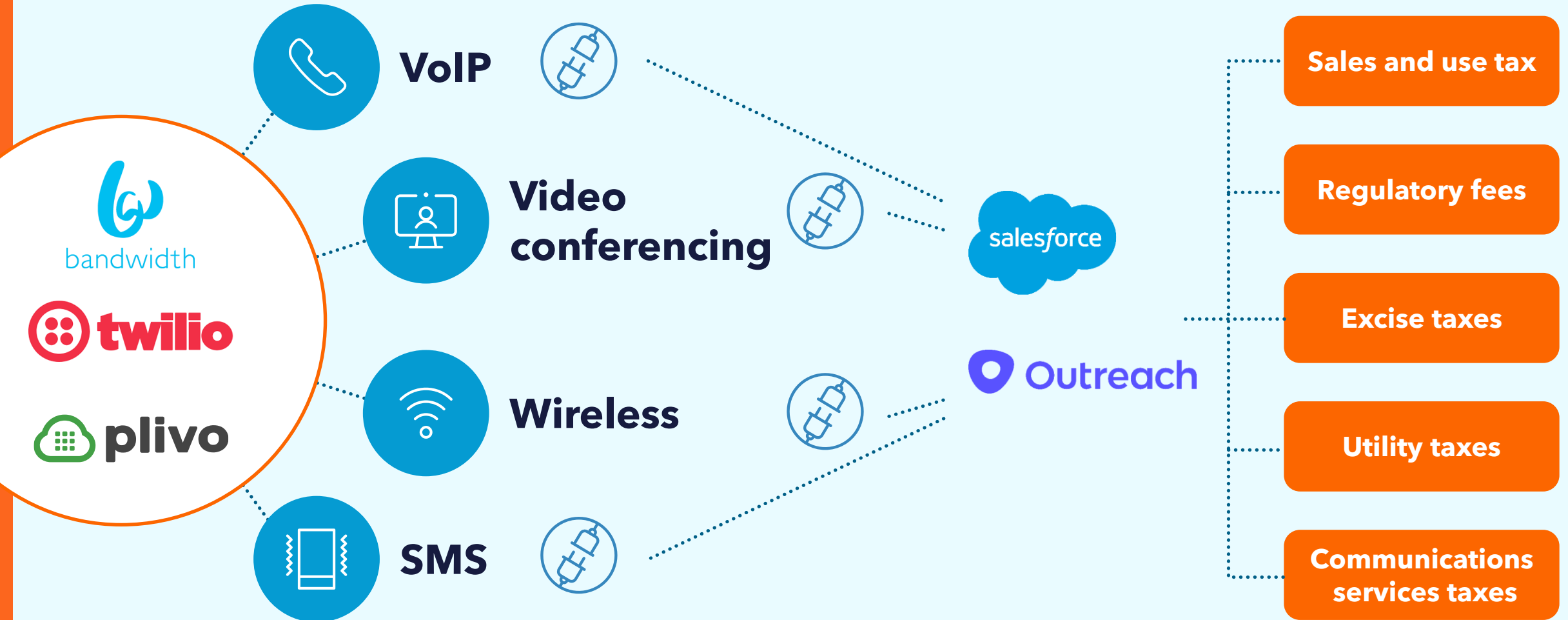
Streaming



IoT devices

Embedding communications features **has never been easier ...**

... but creates more tax complexity.



Is communication “material” to your business?



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

CPE POLL QUESTION #2

Are you currently collecting & remitting Communications taxes?

- A** Yes
- B** No and don't anticipate we will
- C** No but believe we may need to soon

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 – What's coming next?

- 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 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?

Bundling

SINGLE PRICE

**\$50 per active
user per month**



MULTIPLE SERVICES AND TAX OBLIGATIONS

SaaS

Data storage

Information services

Communications services

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



CPE POLL QUESTION #3

If you have a streaming service, which of these taxes are you likely to owe?

- A** Sales and Use Tax
- B** Communications Services Tax
- C** Amusement Tax
- D** Utility Tax
- E** All of the above

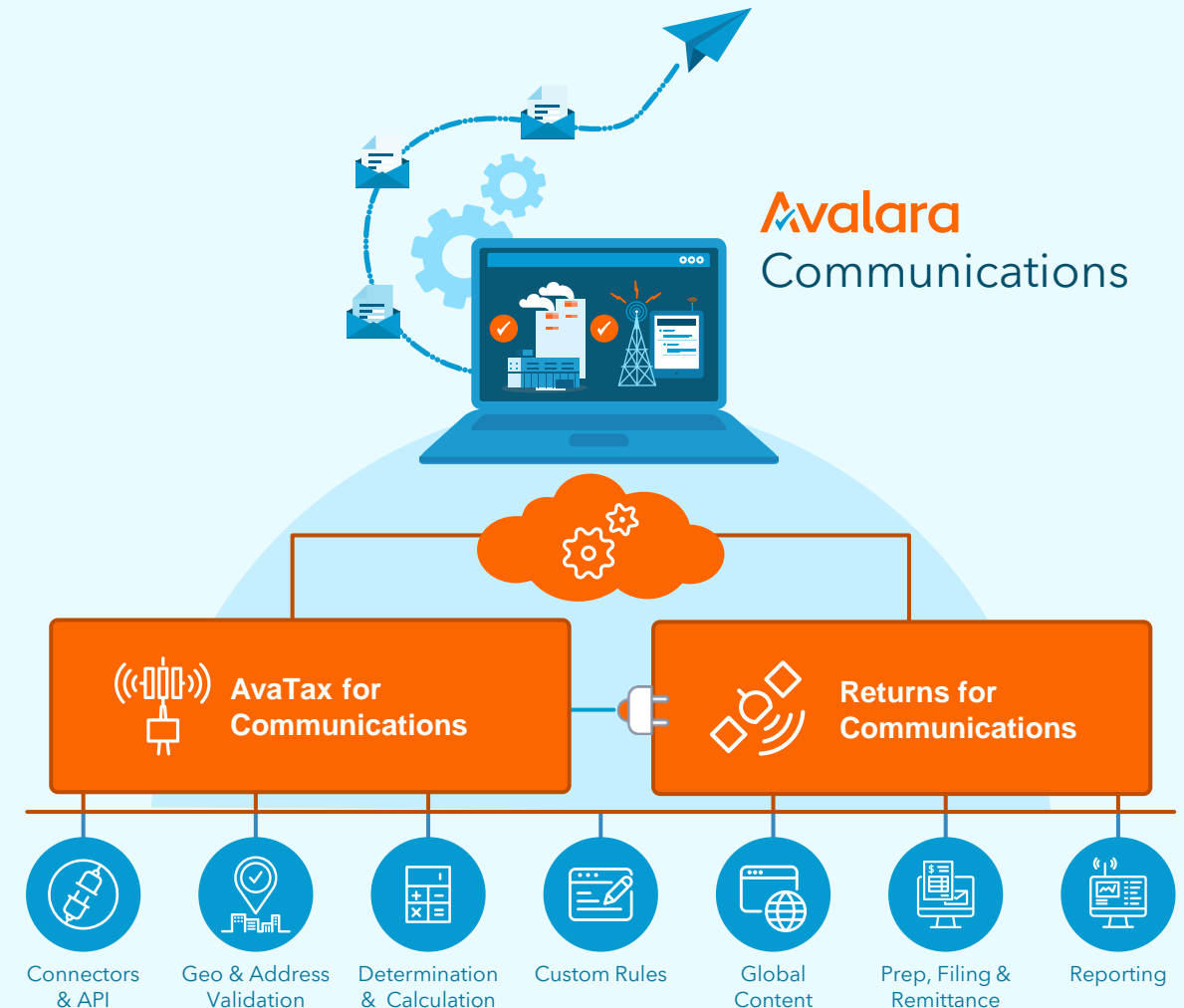


➤ **Take advantage of the experts**

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



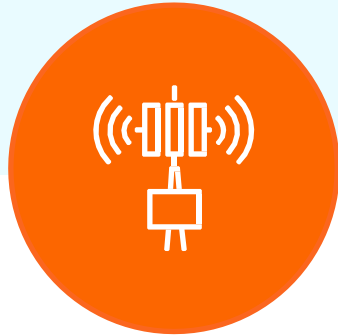
Avalara for Communications

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



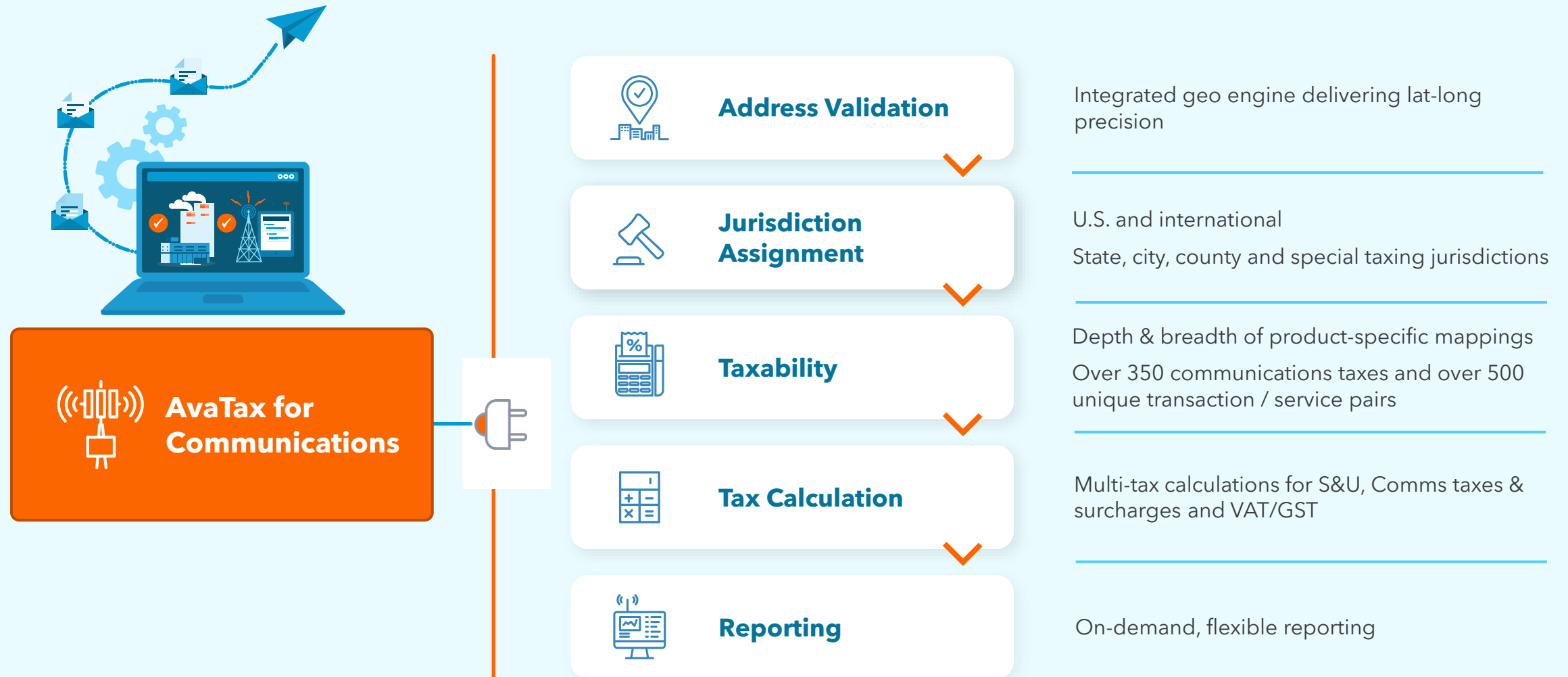
IoT



CPaaS & SaaS

AvaTax for Communications

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



Avalara Returns for Communications

A fully managed and complete compliance solution



In-Cycle



Data Ingest & Validation



Return Preparations



Filing



Remittance



Returns Archive

Out-of-Cycle



Registrations



Notice Management



Back-filing



Audit Support

CPE POLL QUESTION #4

Would you like to be contacted by an Avalara sales representative?

A Yes

B No

Q&A



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Upcoming webinars

avalara.com/webinars

Webinars Calendar

- > **6/3** Trade and Tariff Tuesdays
- > **6/10** Trade and Tariff Tuesdays
- > **6/12** HS codes 101: Get classification right for cross-border trade
- > **6/17** Trade and Tariff Tuesdays
- > **6/24** Trade and Tariff Tuesdays



Avalara CRUSH *On Tour*

Get on the list
today!

1 DAY

A value-packed day that gives you the flexibility to choose what works best for you

2 TICKET OPTIONS

General Admission

FREE

All-Access Pass

Hands-on training and
CPE credits

\$99

3 KEY HIGHLIGHTS

- Support via 1:1 Learning Lab appointments
- Learning through Insight Sessions and Fireside Chats
- Training on Avalara products (All-Access Pass required)



CRUSH on Tour also includes activations such as our **Product Pavilion, food and beverages, and a networking happy hour** – all in a setting where you can explore at your own pace.

events.avalara.com

#AvalaraCRUSH

The logo features the word "Avalara" in a white, sans-serif font. The letter "A" is stylized with a white checkmark integrated into its left side. The background is a solid orange color with a pattern of overlapping, semi-transparent triangles in various shades of orange.

Avalara

Tax compliance done right