



AvaTax for Communications

Prepaid and No-Contract Services

Mapping Guidelines

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1. Introduction

Non-postpaid telephone service is comprised of two primary offerings: (1) prepaid telephone service and (2) no-contract telephone service. The differences between these two services impact the taxation of each service.

Prepaid telephone services include long-distance telephone cards, prepaid wireless telephone service, and prepaid VoIP service. For these services, a specified amount of call time or data is paid in advance by the consumer and value is deducted as the consumer uses the services. No-contract telephone service is similar to traditional postpaid telephone service with the exceptions that the consumer is billed in advance for service and the service lacks a contract.

This guideline examines the differences between prepaid and no-contract calling arrangements and addresses the mapping of these offerings.

2. Prepaid Telephone Service

Although definitions of “prepaid calling arrangement” differ from state-to-state, the term is often defined as the right to exclusively purchase telecommunications services that are paid for in advance and enables the origination of calls using an access number or authorization code, whether manually or electronically dialed.

There are three types of telephony that most often fall within the definition of prepaid telephone service: (1) long distance/telephone cards, (2) prepaid wireless telephone service, and (3) prepaid VoIP service.

2.1 Long Distance/Telephone Cards

According to the Federal Communications Commission (FCC), “Prepaid phone cards are purchased and used for a flat fee to make long distance telephone calls.” These cards provide the user with a specified amount of call time to certain destinations and the convenience of making domestic or international long distance calls from any phone or phone number, without using cash. As calls are made, the usable minutes automatically deduct from the card balance.

The following transaction/service pairs are used when addressing telephone card services.

Transaction Type	Service Type	Name	Description
1	1	Interstate/Toll	Interstate toll calls, monthly recurring charges, and other related service-type charges and features. (Call originates and terminates in different states.)
2	1	Intrastate/Toll	Intrastate toll call, monthly recurring charges, and other related service-type charges and features. (Call originates and terminates within the same state.)
10	32	Sales/Debit	Calculation of sales tax on a debit charge (prepaid charge) that is determined by state law to be a point of sale transaction.

2.2 Mapping Long Distance/Calling Cards

Prepaid telephone service is subject to the point-of-sale taxes associated with the purchase of service and the carrier taxes associated with the actual call. Mapping prepaid services is dependent upon the type of service provided and the means of distribution. Three mapping scenarios that apply to most service providers are detailed below.

Scenario 1: Communications Service Provider Distributing via Third Party Outlets

Company A provides prepaid long distance telephone cards distributed exclusively through third party outlets. The company is responsible for carrier taxes associated with usage. When mapping, the user must select either Interstate/Toll (1/1) or Intrastate/Toll (2/1) to return carrier taxes which are applicable with the standard telecom transactions. Company A should use one of the Debit API calls to ensure that only non-point-of-sale carrier taxes are returned.

Scenario 2: Third Party Seller

Company B sells prepaid long distance telephone cards as a third party seller. The company is responsible for point-of-sale taxes associated with the actual transaction. When mapping, the user must select Sales/Debit (10/32) to return the sales and other point-of-sales related taxes. Company B should use a standard API call.

Scenario 3: Direct Sellers

Company C provides prepaid long distance telephone cards and distributes these cards from their in-house company stores. The company is responsible for both point-of-sale and carrier taxes. When mapping, the user must select Sales/Debit (10/32) to return the sales and other point-of-sales related taxes. For this first transaction, Company C should use a standard API call.

The user must also select either Interstate/Toll (1/1) or Intrastate/Toll (2/1) to account for carrier taxes which are applicable with the standard telecom transactions. For this second transaction, Company C should use one of the Debit API calls to ensure that only non-point-of-sale carrier taxes are returned.

2.3 Prepaid Wireless Telephone Service

Section 315 of the Streamlined Sales and Use Tax Agreement defines prepaid wireless calling service as “a telecommunications service that provided the right to utilize mobile wireless service as well as other non-telecommunications services, including the download of digital products delivered electronically, content and ancillary services, which must be paid for in advance that is sold in predetermined units or dollars of which the number declines with use in a known amount.” This type of service is referred to as pay-as-you-go (PayGo) and charges users by the minute of talk.

The following transaction/service pairs are used when addressing PayGo services.

Transaction Type	Service Type	Name	Description
10	565	Sales/Debit-Wireless	The Point-of-Sale (POS) purchase of prepaid, pay-as-you-go wireless services sold by the phone carrier or a party controlled by the phone carrier.
10	643	Sales/ Debit-Wireless (Indirect Non-Carrier Sale)	The Point-of-Sale (POS) purchase of prepaid, pay-as-you-go wireless services sold by a party other than the phone carrier or a party controlled by the phone carrier.
13	10	Cellular/Usage	Cellular/wireless per-minute and/or per-use charges. Charges are in addition to any monthly access or roaming charges billed to a customer.
13	33	Cellular/Roaming Charge	Per-use, per-minute charges for cellular use outside of the designated service area of the providing carrier.

2.4 Mapping Prepaid Wireless Telephone Service

Prepaid wireless telephone service is subject to the point-of-sale taxes associated with the purchase of service and the carrier taxes associated with the actual call. Mapping prepaid services is dependent upon the type of service provided and the means of distribution. Three mapping scenarios that apply to most service providers are detailed below.

Scenario 1: Communications Service Provider Distributing via Third Party Outlets

Company A provides PayGo wireless telephone service that is distributed exclusively through third party outlets. The company is responsible for carrier taxes associated with usage. When mapping, the user must select Cellular/Usage (13/10) or Cellular/Roaming Charge (13/33) to return the carrier taxes addressed by standard telecom transactions. Company A should use one of the Debit API calls to ensure that only non-point-of-sales carrier taxes are returned.

Scenario 2: Third Party Sellers

Company B sells PayGo wireless telephone service as a third party seller. The company is responsible for the point-of-sale taxes associated with the actual transaction. When mapping, the user must select Sales/Debit-Wireless (Indirect Non-Carrier Sale) (10/643) to return the sales and other point-of-sale related taxes. Company B should use a standard API call.

Scenario 3: Direct Sellers

Company C sells PayGo wireless telephone service and provides this service from their in-house company stores. The company is responsible for both point-of-sale and carrier taxes. When mapping, the user must select Sales/Debit Wireless (10/565) to return the sales and other point-of-sale related taxes. For this first transaction, Company C should use a standard API call.

The user must also select Cellular/Usage (13/10) or Cellular/Roaming Charge (13/33) to account for carrier taxes which are handled with the standard telecom transactions. For this second transaction,

Company C should use one of the Debit API calls to ensure that only non-point-of-sale carrier taxes are returned.

2.5 Prepaid VoIP Service

Voice over Internet Protocol (VoIP) allows users to complete telephone calls over a data network rather than the traditional public switched telephone network. Prepaid VoIP service allows consumers to purchase in advance internet telephony service as well as other non-telecommunications services that are sold in predetermined units or dollars of which the number declines with use in a known amount.

The following transaction/service pairs are used when addressing prepaid VoIP services.

Transaction Type	Service Type	Name	Description
10	32	Sales/Debit	Calculation of sales tax on a debit charge (prepaid charge) that is determined by state law to be a point of sale transaction.
19	6	VoIP/Access Charge	Basic monthly flat rate for VoIP service.
19	49	VoIP/Interstate Usage	Portion of MRC, or per-minute charges, attributable to calls that cross state lines but do not leave the United States. (Reserved for use when sending actual interstate and intrastate usage using the Actual CDR billing method).
19	50	VoIP/Intrastate Usage	Portion of MRC, or per-minute charges, attributable to calls that do not cross state lines. (Reserved for use when sending actual interstate and intrastate usage using the Actual CDR billing method).
19	51	VoIP/International Usage	Portion of MRC, or per-minute charges, attributable to calls that originate inside the United States and terminate outside the United States.
20	6	VoIP/Access Charge	Basic monthly flat rate for VoIP service.
20	49	VoIP/Interstate Usage	Portion of MRC, or per-minute charges, attributable to calls that cross state lines but do not leave the United States. (Reserved for use when sending actual interstate and intrastate usage using the Actual CDR billing method).
20	50	VoIP/Intrastate Usage	Portion of MRC, or per-minute charges, attributable to calls that do not cross state lines. (Reserved for use when sending actual interstate and intrastate usage using the Actual CDR billing method).
20	51	VoIP/International Usage	Portion of MRC, or per-minute charges, attributable to calls that originate inside the United States and terminate outside the United States.
59	6	VoIP-Nomadic/Access Charge	Basic monthly flat rate for VoIP service.
59	49	VoIP-Nomadic/Interstate Usage	Portion of MRC, or per-minute charges, attributable to calls that cross state lines but do not leave the United States. (Reserved for use when sending actual interstate and intrastate usage using the Actual CDR billing method).
59	50	VoIP-Nomadic/Intrastate Usage	Portion of MRC, or per-minute charges, attributable to calls that do not cross state lines. (Reserved for use when sending actual interstate and intrastate usage using the Actual CDR billing method).

Transaction Type	Service Type	Name	Description
59	51	VoIP-Nomadic/International Usage	Portion of MRC, or per-minute charges, attributable to calls that originate inside the United States and terminate outside the United States.
65	6	Non-Interconnected VoIP/Access Charge	Basic monthly flat rate for non-interconnected VoIP service.
65	49	Non-Interconnected VoIP/Interstate Usage	Portion of MRC, or per-minute charges, attributable to non-interconnected VoIP calls that cross state lines but do not leave the United States. (Reserved for use when sending actual interstate and intrastate usage using the Actual CDR billing method).
65	50	Non-Interconnected VoIP/Intrastate Usage	Portion of MRC, or per-minute charges, attributable to non-interconnected VoIP calls that do not cross state lines. (Reserved for use when sending actual interstate and intrastate usage using the Actual CDR billing method).
65	51	Non-Interconnected VoIP/International Usage	Portion of MRC, or per-minute charges, attributable to non-interconnected VoIP calls that originate inside the United States and terminate outside the United States.

2.6 Mapping Prepaid VoIP Services

Prepaid VoIP service is subject to the point-of-sale taxes associated with the purchase of service and the carrier taxes associated with the actual call. Mapping prepaid VoIP services is dependent upon the type of service provided and the means of distribution. Three mapping scenarios that apply to most prepaid VoIP service providers are detailed below.

Scenario 1: Communications Service Provider Distributing via Third Party Outlets

Company A provides prepaid VoIP services distributed exclusively through third party outlets. The company is responsible for carrier taxes associated with usage. When mapping, the user must select one of the VoIP-related t/s pairs to return carrier taxes which are applicable with the standard VoIP transactions. Company A should use one of the Debit API calls to ensure that only non-point-of-sale carrier taxes are returned.

Scenario 2: Third Party Seller

Company B sells prepaid VoIP services as a third party seller. The company is responsible for point-of-sale taxes associated with the actual transaction. When mapping, the user must select Sales/Debit (10/32) to return the sales and other point-of-sales related taxes. Company B should use a standard API call.

Scenario 3: Direct Sellers

Company C provides prepaid VoIP services and sells these services from their in-house company stores. The company is responsible for both point-of-sale and carrier taxes. When mapping, the user must select Sales/Debit (10/32) to return the sales and other point-of-sales related taxes. For this first transaction, Company C should use a standard API call.

The user must also select one of the VoIP-related t/s pairs to account for carrier taxes which are applicable with the standard telecom transactions. For this second transaction, Company C should use one of the Debit API calls to ensure that only non-point-of-sale carrier taxes are returned.

3. No-Contract Telephone Service

No-contract telephone service plans are similar to postpaid monthly plans with the exception that the service provider bills users in advance for usage. No-contract services do not include a carrier agreement (contract) specifying the term of commitment and often requires the customer to purchase the telephone upfront.

3.1 Monthly No-Contract

Monthly no-contract service plans resemble postpaid monthly plans whereby the service provider charges the consumer a set amount each month for a predetermined allotment of minutes for talk and data.

The following transaction/service pairs are used when addressing monthly no-contract service offerings.

Transaction Type	Service Type	Name	Description
13	591	Cellular/Access Charge-No Contract	Basic monthly flat rate charge for cellular/wireless service that is sold without a contract.
13	592	Cellular/Access Number-No Contract	For use when carrier is passing actual traffic and not using safe harbor percentages. Designates the number of access numbers assigned to a wireless account that is sold without a contract.

3.2 Unlimited No-Contract

Unlimited no-contract service plans resemble postpaid unlimited plans whereby the service provider charges the consumer a set price for an unlimited amount of minutes for talk and data.

The following transaction/service pairs are used when addressing monthly no-contract service offerings.

Transaction Type	Service Type	Name	Description
13	591	Cellular/Access Charge-No Contract	Basic monthly flat rate charge for cellular/wireless service that is sold without a contract.
13	592	Cellular/Access Number-No Contract	For use when carrier is passing actual traffic and not using safe harbor percentages. Designates the number of access numbers assigned to a wireless account that is sold without a contract.

3.3 Mapping No-Contract Telephone Service

Mapping no-contract telephone service is the same for monthly and unlimited service plans. Unlike prepaid communications services, the taxation of no-contract service focuses exclusively on carrier charges. There is no separate point-of-sale transaction.

Scenario 1: No-Contract Wireless Service Provider

Company A provides no-contract wireless service. The company is responsible for carrier taxes associated with the usage. When mapping, the user must select either Cellular/Access Charge-No Contract (13/591) or Cellular/Access Number-No Contract (13/592). Either of these two t/s pairs will return the sales and other point-of-sale related taxes. If the service includes additional features, use standard cellular transaction/service pairs. Company A should use a standard API call.

4. Additional Services

For all additional services, the user should use a standard API call.

4.1 Data

Clients who offer data can use Internet/Access Charge (5/6) as an appropriate mapping.

Transaction Type	Service Type	Description	Primary and other uses
5	6	Internet/Access Charge	Charges for internet access services, MRC, and other related service type charges and features. (Both per-minute and flat fee amounts for internet access services will be mapped to this transaction/service type.)

4.2 Other Services

Additional mapping options available for use include the following:

Transaction Type	Service Type	Description	Primary and other uses
13	30	Cellular/Feature Charge	Charges and fees for additional feature charges of Cellular services. (Includes services such as call waiting, caller ID, call blocking, call forwarding, etc.)
13	51	Cellular/International Usage	Portion of MRC, or per-minute charges, attributable to calls that originate inside the United States and terminate outside the United States.
13	572	Cellular/Digital Download	The purchase of goods such as ringtones downloaded to a cell phone.
13	577	Cellular/Enhanced Features	Charges and fees for additional feature charges of wireless services which are separate from voice transmission related features as defined by the FCC. (Includes services such as voicemail, interactive voice response, audio text information services, and protocol processing.)

Transaction Type	Service Type	Description	Primary and other uses
13	610	Cellular/Early Termination Fees	A fee charged to cellular customers for early termination of services.
13	622	Cellular/Text Message	A fee charged to cellular customers for Text Messaging services.

5. Additional API Documentation

A complete list of API Calls is included in the “Avatax for Communications Telecom User Manual” (TM_00101_AFC User Manual_Telecom.pdf) which is updated and distributed monthly with the current AFC release documentation.

6. Populating Data

The data required for accurate taxation varies from service type to service type. The following chart lists which data to populate for each service type.

Transaction Type	Service Type	Description	Required Input Data
1	1	Interstate/Toll	Amount, Minutes
2	1	Intrastate/Toll	Amount, Minutes
10	32	Sales/Debit	Amount
10	565	Sales/Debit Wireless	Amount
10	643	Sales/Debit Wireless (Indirect Non-Carrier Sale)	Amount
13	10	Cellular/Usage	Amount, Minutes
13	30	Cellular/Local Feature Charges	Amount
13	51	Cellular/International Usage	Amount, Minutes
13	572	Cellular/Digital Download	Amount
13	577	Cellular/Enhanced Features	Amount
13	591	Cellular/Access Charge-No Contract	Amount, Minutes
13	592	Cellular/Access Number-No Contract	Lines
13	610	Cellular/Early Termination Fees	Amount
13	622	Cellular/Text Message	Amount
19	6	VoIP/Access Charge	Amount, Minutes
19	49	VoIP/Interstate Usage	Amount, Minutes
19	50	VoIP/Intrastate Usage	Amount, Minutes
19	51	VoIP/International Usage	Amount, Minutes
20	6	VoIP/Access Charge	Amount, Minutes
20	49	VoIP/Interstate Usage	Amount, Minutes
20	50	VoIP/Intrastate Usage	Amount, Minutes
20	51	VoIP/International Usage	Amount, Minutes

Transaction Type	Service Type	Description	Required Input Data
59	6	VoIP-Nomadic/Access Charge	Amount, Minutes
59	49	VoIP-Nomadic/Interstate Usage	Amount, Minutes
59	50	VoIP-Nomadic/Intrastate Usage	Amount, Minutes
59	51	VoIP-Nomadic/International Usage	Amount, Minutes
65	6	Non-Interconnected VoIP/Access Charge	Amount, Minutes
65	49	Non-Interconnected VoIP/Interstate Usage	Amount, Minutes
65	50	Non-Interconnected VoIP/Intrastate Usage	Amount, Minutes
65	51	Non-Interconnected VoIP/International Usage	Amount, Minutes