AvaTax for Communications

VoIP Mapping Guidelines

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Document Revision History

The Revision History log lists the date and description of the most recent revisions or versions of the document.

Date	Version	Description
03/25/2016	0005	Avalara branding updates to reflect the transition to the new company and product names have been incorporated into this document. Please see Appendix A – Avalara Product Names for specific changes in product references and descriptions.
06/21/2016	0006	Revised Mapping to include enhanced guidance and to include coverage for non-interconnected VoIP. Expanded information in 911 and Other Per Line Taxes.
02/24/2017	0007	Updated **Section 1.2 Mapping Information: Transaction Types** with details to compare VoIP and VoIPA.
09/25/2017	0008	Added **Section 1.5** regarding **Per-Invoice Taxes**. Added Service Type numbers. Updated for clarification.

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1. Voice over Internet Protocol (VoIP) Taxation

Taxation of VoIP services requires special handling and as such, special VoIP mappings are provided as a part of the AvaTax for Communications (AFC) mapping guidelines. This document will inform AFC software clients how to map VoIP transactions. This document will also explain the data necessary to populate each Transaction/Service Pair.

1.1 Safe Harbor

There are three accepted methods for collecting/reporting interstate and intrastate VoIP revenue for regulatory purposes. The first two are compatible (but not exclusive) to bundled selling; the third is not compatible with bundled selling:

1) Safe Harbor ratio: the FCC's preset ratio (64.9/35.1) gets applied to all voice-related charges. This could be applied to either a bundle of voice charges or separate usage fees. Non-voice related charges in a bundle (enhanced features, Internet, software, etc) should be unbundled for the purposes of applying FUSF. This is the default method found in the AFC Tax Engine;

2) Traffic Study: similar to 1) except the ratio is defined by quarterly traffic studies performed on the network and documented with the FCC/USAC. All other items are the same as 1). This can be accomplished in the AFC Tax Engine via an override file or API;

3) Actual CDR billing: When billing customers for call detail activity, a carrier must be able to attest that the caller's originating location can be confirmed, you can report on the basis of actual interstate and international call charges. Your itemized interstate/International LD charges get full FUSF applied. The rest of the bill does not. Since this method is based on actual call detail usage, it is not compatible with typical bundles. This method would involve the use of an override file within the AFC Tax Engine.

1.2 Mapping Information: Transaction Types

AvaTax for Communications supports taxation for three different types of VoIP service, all with unique transaction types: Non-Nomadic or Fixed Location VoIP; Nomadic VoIP; and Non-Interconnected VoIP. As a starting point, users will need to determine which transaction type(s) is appropriate for the category of VoIP services they are offering.

Non-Nomadic or Fixed Location VoIP service is typically tied to a particular physical and/or IP location and may only make a VoIP connection from the location recognized by the subscriber's Internet Service Provider (ISP) as the subscriber's service location. These services should use **Transaction Type 19 or 20 (VoIP or VoIPA)**. **VoIP** and **VoIPA (VoIP Alternative)** were set up to accommodate the differences in VoIP taxation theories as various jurisdictions formulate their VoIP policies. Where a jurisdiction clearly declares its intent to tax VoIP services, AFC applies tax to the

corresponding service types in both VoIP and VoIPA. If a jurisdiction clearly does not tax a particular VoIP service, AFC will not return tax in either VoIP or VoIPA transactions. If it is unclear that a jurisdiction intends to tax a VoIP service, AFC applies tax to the VoIP services, and does not apply tax to the VoIPA service.

Nomadic VoIP service typically utilizes a phone adapter or software application that may be moved from location to location to connect the calling phone to the internet from any location in the world where a broadband internet connection is available. In reverse, this would also allow any caller to automatically locate and reach a nomadic VoIP subscriber anywhere in the world by calling the VoIP user's phone number, as long as the user's VoIP adapter or software-enabled device is connected to a broadband internet connection. This service should use **Transaction Type 59 (VoIP-Nomadic).**

Non-Interconnected VoIP is sometimes referred to as "peer-to-peer" VoIP and often limits users to calls with other users of the same service/protocol and does not offer the ability to make and receive calls from the Public Switched Telephone Network (PSTN). This service should use **Transaction Type 65 (Non-Interconnected VoIP).**

1.3 Mapping Information: Service Types

The following table represents service types that are used for VoIP (19), VoIPA (20) and VoIP-Nomadic (59) transaction types. Those that are valid with Non-Interconnected (65) as well are marked with an asterisk (*).

Service Type	Description
(6) Access Charge*	Basic monthly flat rate for VoIP service.
(8) Install	Charge for installation of VoIP services.
(11) Activation*	One-time charges for activating a VoIP account. (Mutually exclusive of the other VoIP charges.)
(13) Equipment Repair	Charge for repair of equipment necessary to make VoIP calls.
(14) Late Charge*	Late charge on VoIP services.
(30) Local Feature Charge*	Charges and fees for additional feature charges of VoIP services. (Includes services such as call waiting, caller ID, call blocking, call forwarding, etc.)
(37) Equipment Rental	Charge for renting equipment necessary to make VoIP phone calls.

Service Type	Description
(48) Wireless Access Charge	This will tax similar to Cellular/Access Charge. Federal and State USF are applied, but at the wireless safe harbor rate (valid only with Transaction types 19 and 20).
(49) 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).
(50) 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).
(51) International Usage*	Portion of MRC, or per-minute charges, attributable to calls that originate inside the United States and terminate outside the United States.
(53) LNP	Fixed, monthly charge associated with transferring an existing phone number to a VoIP service provider.
(577) Enhanced Feature Charge*	Charges and fees for additional feature charges of VoIP services which are separate from basic transmission services. (Includes services such as voicemail, interactive voice response, audio text information services, and protocol processing.)
(596) Access-Local Only Service	Basic monthly flat rate charge for Local Only Service VoIP.
(635) Toll-Free Number	Monthly recurring charge for access to a VoIP toll free number.

1.4   E911 and other Per-Line Taxes

Many jurisdictions have different rates or reporting requirements for landline, wireless and VoIP services. For this reason, there will be jurisdictions where the VoIP tax type applies and other jurisdictions where an unspecified E911 applies. Non-Interconnected VoIP services are not typically subject to 911 compliance as these types of services do not ordinarily provide 911 functionality. Thus Non-Interconnected VoIP services are not submitted with line count transactions. For fixed location and nomadic services, in order to ensure that appropriate per line taxes are returned, users must submit at least one line count transaction with line quantity data. For single channel lines, Lines (service type 21) is appropriate. Additionally, using Wireless Lines (service type 52) will produce the wireless rate when it differs from the standard rate.

For customers using trunks (PBX or PBX High Capacity), three transactions must be passed to provide the proper per line taxes. This is because some jurisdictions assess per line taxes, such as E911, on the number of Trunks used, while others assess on the number of Outbound Channels and still others assess based on the number of Extensions. In some cases, tax could be assessed on more than one transaction. For example, the jurisdiction may assess TRS on the trunk and E911 on the Outbound Channels.

For **PBX Trunks**, the transactions are as shown below:

- **578-PBX –** Designates the number of PBX Trunks a customer is using. **The Lines field of this transaction should be populated with the number of Trunks to be taxed.**
- **566-PBX Outbound Channel –** Designates the number of outbound channels a customer is using on a PBX Trunk. **The Lines field of this transaction should be populated with the number of Outbound Channels to be taxed.**
- **41-PBX Extension –** Designates the number of Extensions a customer is using on a PBX Trunk. **The Lines field of this transaction should be populated with the number of Extensions to be taxed.**

For **High Capacity Trunks**, the transactions are as shown below:

- **579-PBX High Capacity –** Designates the number of High Capacity Trunks a customer is using. High Capacity Trunks are usually defined as T1 or greater. **The Lines field of this transaction should be populated with the number of Trunks to be taxed.**
- **582-High Capacity Outbound Channel -** Designates the number of outbound channels a customer is using on a High Capacity Trunk. **The Lines field of this transaction should be populated with the number of Outbound Channels to be taxed.**
- **580-High Capacity Extension –** Designates the number of High Capacity Extensions a customer is using on a High Capacity Trunk. **The Lines field of this transaction should be populated with the number of Extensions to be taxed.**

The following table represents service types that are used for VoIP (19), VoIPA (20) and VoIP-Nomadic (59) transaction types.

Service Type	Description
(21) Lines	Designates the quantity of numbers a VoIP customer is using. (Taxable amount is irrelevant for this transaction/service type. Tax is calculated based on the number of lines designated in the lines field.) This service type will return E911 at the landline rate regardless of whether it is paired with the VoIP or VoIPA transaction type.
(578) PBX	Designates the number of PBX trunks a VoIP customer is using. (Taxable amount is irrelevant for this transaction/service type. Tax is calculated based on the number of trunks designated in the lines field. Used in conjunction with 19/41 and 19/566.)
(566) PBX Outbound Channel	Designates the number of voice grade communications channels leaving a subscriber's premises through a VoIP PBX connecting the subscriber's premises to the public switched network. (Taxable amount is irrelevant for this transaction/service type. Tax is calculated based on the number of extensions designated in the lines field. Used in conjunction with 19/41.)

Service Type	Description
(41) PBX Extension	Designates the number of VoIP PBX extensions a VoIP service customer is using. (Taxable amount is irrelevant for this transaction/service type. Tax is calculated based on the number of extensions designated in the lines field. Used in conjunction with 19/566 and 19/578.)
(579) PBX High Capacity	Designates the number of High Capacity Trunks a customer is using. (Taxable amount is irrelevant for this transaction/service type. Tax is calculated based on the number of High Capacity Trunks designated in the lines field.)
(582) High Capacity Outbound Channel	Designates the number of voice grade communications channels leaving a subscriber's premises through a VoIP High Capacity Trunk connecting the subscriber's premises to the public switched network.
(580) High Capacity Extension	Designates the number of VoIP extensions a VoIP service customer is using on a High Capacity Trunk. (Taxable amount is irrelevant for this transaction/service type. Tax is calculated based on the number of extensions designated in the lines field.)
(52) Wireless Lines	Designates the quantity of numbers a VoIP customer is using. (Taxable amount and number of lines are irrelevant for this service type. Tax is calculated based on the number of transactions passed. For two lines you would pass two transactions.) (valid only with Transaction types 19 and 20).

1.5   Per-Invoice Taxes

In order to ensure that appropriate per invoice taxes are returned, users must submit one invoice transaction using service type **43-Invoice**. Tax is based per invoice per account per billing cycle. Pass one transaction for each invoice issued. The charge and lines fields are irrelevant and must be set to zero.

The following table represents service types that are used for VoIP (19), VoIPA (20), VoIP-Nomadic (59), and Non-Interconnected (65) transaction types.

Service Type	Description
(43) Invoice*	Mapping category for transactions on a per invoice basis. (Tax is based per invoice per account per billing cycle. Taxable amount or numbers of lines are irrelevant for this transaction/service type.)

2. Additional Services

While the above transactions can support most of the VoIP service offerings and features, there are some additional services that will be handled outside of the VoIP transaction.

2.1 Voice Mail

Clients who offer Voice Mail as a feature should use the Voice Mail transactions already defined in AFC.

Transaction Type	Service Type	Name	Description
9	6	Voice Mail/Access Charge	Basic monthly flat-rate charges for voice mail services.
9	10	Voice Mail/Usage	Voice mail charges for usage. Charges are in addition to any services provided in the monthly access charge.
9	11	Voice Mail/Activation	One-time charge for activating a voice mail account.
9	14	Voice Mail/Late Charge	Category for late charges that were originally taxed using one of the "Voice Mail" (09) transaction categories.

2.2 Directory Assistance

Clients who offer directory assistance should use the following Directory Assistance transactions.

Transaction Type	Service Type	Name	Description
1	54	Interstate/Directory Assistance	Charges for Directory Assistance calls that cross state boundaries.
2	54	Intrastate/Directory Assistance	Charges for Directory Assistance calls that are contained wholly in one state.

3. Populating Data

The data required for accurate taxation varies from service type to service type, but each service type is the same regardless of whether you choose VoIP or VoIPA. Common variables that need to be set for each transaction are: Business/Residential, Sale/Resale, Regulated/Unregulated, and Incorporated/Un-Incorporated.

The following chart lists which data to populate for each service type.

Service Type	Data
Access Charge	Taxable Amount
Access Charge-Local Only Service	Taxable Amount
Activation	Taxable Amount
Wireless Access Charge	Taxable Amount
Interstate Usage	Taxable Amount, Minutes
Intrastate Usage	Taxable Amount, Minutes
International Usage	Taxable Amount, Minutes
Enhanced Features	Taxable Amount
Feature Charge	Taxable Amount
LNP	Taxable Amount
Install	Taxable Amount
Equipment Rental	Taxable Amount
Equipment Repair	Taxable Amount
Late Fee	Taxable Amount
Lines	Lines
Wireless Lines	Lines
Invoice	None (Taxable Amount, Lines, and Minutes should be populated with zeros. Taxes returned based upon how many transactions are passed into the system. You should pass one transaction for each invoice issued.)

4. Appendix A – Avalara Product Names

Please note that endpoints and websites referencing EZtax or Billsoft will not be changed. These items, such as http://support.eztax.com, will remain as is unless otherwise specifically communicated.

4.1 Company Information

- EZtax, Inc./Billsoft, Inc. is now Avalara, Inc.

4.2 Product Families

- EZtax Engine and Tools are now Avalara AvaTax for Communications (AFC)
- EZgeo is now Avalara Geo for Communications (AFC Geo)

4.3 Product Name Changes

4.3.1 Avalara AvaTax for Communications

- EZtax SaaS is now AFC SaaS Pro
- EZtax Online/Batch is now AFC SaaS Standard

4.3.2 Avalara Geo for Communications

- EZgeo SaaS is now AFC Geo SaaS Pro
  EZgeo Online/Batch is now AFC Geo SaaS Standard