# AvaTax for Communications

# Cellular Service 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 | 0002 | 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. |
| 09/25/2017 | 0003 | Revised Mapping Guidelines to include enhanced guidance. |

# Table of Contents

# 1. Cellular Service

Taxation of cellular services can be challenging due to the unique nature of the service.  Unlike local exchange service, where the call is placed from a single point, cellular calls are often initiated in one taxing jurisdiction and change taxing jurisdictions mid call.

To help simplify the issue with changing jurisdictions mid call, Congress passed the Mobile Telecommunications Sourcing Act (MTSA).  In brief, the MTSA states that carriers can use a customer's Place of Primary Use (PPU) for the jurisdiction of all calls.  The PPU can be defaulted to the billing address unless the customer informs the carrier that the PPU is a different location.  For US cellular services, the AvaTax for Communications (AFC) software will use the jurisdiction passed in the bill-to field for the PPU.

Another challenging aspect of cellular service is the determination of interstate v. intrastate.  The Federal Universal Service Fund applies to cellular service.  Many states specify that their Universal Service funds also apply to cellular service.  However, the FUSF applies to the interstate portion of the service and the state USF will generally apply to the intrastate portion of the service.  Determining interstate v. intrastate allocation is done using one of two methods.  A carrier can use actual traffic or use a "Safe Harbor" method.  To use actual traffic, many jurisdictions require carriers to submit traffic studies.  For the purposes of the FUSF, the FCC allows carriers to use a "Safe Harbor" percentage to the revenue for the calculation of the FUSF.  The FCC allows carriers to assume that x% of their traffic is interstate in nature.  To illustrate, let's assume a 37.1% safe harbor percentage and a 17.1% FUSF rate.  Using safe harbor, 37.1% of the revenue is subject to the 17.1% FUSF.  If $10 of cellular service is taxed, then using safe harbor, only $3.71 is subject to FUSF.  Some states have adopted the inverse that allows carriers to apply state USF to the remaining 62.9%, but not all have done so.  The AFC system is designed to allow carriers to tax cellular service using whichever method fits their business model.

The purpose of this manual is to inform AFC software clients how to map cellular transactions for either method.  It is up to the end user to decide which method to use.

## 1.1    Safe Harbor Method

The following Transaction/Service pairs are used when using the Safe Harbor Method.  This is the default method found in the AFC Tax Engine.  Total revenue is submitted. AFC will make the interstate/Intrastate allocation based on the Safe Harbor percentages.

| Transaction Type | Service Type | Description | Primary and other uses |
|---|---|---|---|
| 13 | 11 | Cellular/Activation | One-time charge for activating a cellular/wireless account. |
| 13 | 06 | Cellular/Access Charge | Basic monthly flat-rate charge for cellular/wireless service. |
| 13 | 591 | Cellular/Access Charge-No Contract | Basic monthly flat rate charge for cellular/wireless service that is sold without a contract. |
| 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 customer. |
| 13 | 33 | Cellular/Roaming Charge | Per-use, per-minute charges for cellular use outside of the designated service area of the providing carrier. |
| 13 | 14 | Cellular/Late Charge | Category for late charges that were originally taxed using one of the "Cellular" (13) transaction categories. |

### Cellular / Activation (13/11)
- This transaction would be used when the account is first set up and activated.  Some jurisdictions tax activations differently than access charges or usage.  This transaction/service pair will return the safe harbor amounts for taxes/fees/surcharges that allow safe harbor calculations.

### Cellular / Access Charge (13/06) and Cellular / Access Charge-No Contract (13/591)
- This transaction/service pair is used to rate the monthly access charge for cellular service.
- This transaction/service pair returns percent based taxes/fees/surcharges using safe harbor amounts if they are allowed by the jurisdiction.
- In addition to the percent based taxes/fees/surcharges this pair also returns fixed, or per-line, taxes/fees/surcharges that apply to the account for one access line.  These include, but are not limited to, E911 fees and Telecommunication Relay Service Fees.  See section 1.4 for more information on per-line taxes.

### Cellular / Usage (13/10)
- This transaction/service pair is used to tax amounts that are not part of the monthly access.  Overage amounts are an example.

### Cellular / Roaming Charge (13/33)
- This transaction/service pair is used when fees for using the cellular service outside of the providers' coverage area apply.

### Cellular  / Late Charge (13/14)
- Charges for late payment of cellular service should be passed using this pair.

## 1.2    Traffic Study Method

When choosing to use company specific Traffic Study percentages instead of safe harbor percentages, the method is consistent with that described in section 1.1 above.  Use of an API or override file would be necessary to replace the default safe harbor percentages with the company specific traffic study data.


## 1.3    Using Actual CDR Billing

The following Transaction/Service Pairs are reserved for use when sending actual interstate and intrastate usage using the actual CDR billing method.  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.

Note that the following Transaction/Service Pairs allocate Interstate vs. Intrastate revenue amounts as determined by the user's input for each type. By contrast, the transactions described in Section 1.1 rely on the safe harbor percentages to make the interstate vs intrastate allocation.

| Transaction Type | Service Type | Description | Primary and other uses |
|---|---|---|---|
| 13 | 49 | Cellular/Interstate Usage | For use when carrier is passing actual traffic and not using safe harbor percentages.  Cellular/wireless per-minute and/or per-use interstate charges. Charges are in addition to any interstate monthly access or interstate roaming charges billed to customer. |
| 13 | 50 | Cellular/Intrastate Usage | For use when carrier is passing actual traffic and not using safe harbor percentages.  Cellular/wireless per-minute and/or per-use intrastate charges. Charges are in addition to any intrastate monthly access or intrastate roaming charges billed to customer. |
| 13 | 99 | Cellular/Interstate Access Charge | For use when carrier is passing actual traffic and not using safe harbor percentages.  Designates the portion of the basic monthly access charge that is interstate. |
| 13 | 100 | Cellular/Intrastate Access Charge | For use when carrier is passing actual traffic and not using safe harbor percentages.  Designates the portion of the basic monthly access charge that is intrastate. |
| 13 | 101 | Cellular/Interstate Roaming | For use when carrier is passing actual traffic and not using safe harbor percentages.  Per-use, per-minute charges for interstate cellular use outside of the designated service area of the providing carrier. |
| 13 | 102 | Cellular/Intrastate Roaming | For use when carrier is passing actual traffic and not using safe harbor percentages.  Per-use, per-minute charges for |

| Transaction Type | Service Type | Description | Primary and other uses |
|---|---|---|---|
| | | | intrastate cellular use outside of the designated service area of the providing carrier. |

## 1.4    E911 and other Per-Line Taxes

There are several way to ensure that appropriate per-line taxes are returned for cellular service within AFC.

When submitting 13/6 or 13/591 one line count will automatically be calculated and appropriate per line taxes returned as a fixed amount for one line regardless of how line counts are populated.  If more than one line is contained on an invoice, 13/98 or 13/592 can be sent in addition to 16/6 or 13/591 with a line count for any lines beyond the first line on the invoice.  For example, a $100 charge for an invoice that covered 4 lines could be sent as a $100 charge using 13/6 and 3 lines using 13/98.

Another option would be to pass a portion of the MRC with each line using 13/6 or 13/591.  For example, assume that one account has 3 lines and the monthly charge is $60.  End users can either pass three $20 transactions, or one $60 transaction and two $0 transactions.  Either method will result in all the percent based taxes/fees/surcharges and per-line taxes/fees/surcharges being assessed.

| Transaction Type | Service Type | Description | Primary and other uses |
|---|---|---|---|
| 13 | 6 | Cellular/Access Charge | Basic monthly flat-rate charge for cellular/wireless service. |
| 13 | 98 | Cellular/Access Number | For use when carrier is passing actual traffic and not using safe harbor percentages or for passing transactions for multiple line accounts.  Designates the number of access numbers assigned to an account. |
| 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 or for customers with multiple line accounts.  Designates the number of access numbers assigned to a wireless account that is sold without a contract. |

## 1.5    Per-Invoice Taxes

In order to ensure that appropriate per invoice taxes are returned, users must submit one invoice transaction using 13/43.  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.

| Transaction Type | Service Type | Description | Primary and other uses |
|---|---|---|---|
| 13 | 43 | Cellular/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

## 2.1    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.) |

## 2.2    Other Services

Additional mapping options available for use:

| 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 |

| Transaction Type | Service Type | Description | Primary and other uses |
|---|---|---|---|
| | | | related features as defined by the FCC. (Includes services such as voicemail, interactive voice response, audio text information services, and protocol processing.) |
| 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. |

## 3. 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 |
|---|---|---|---|
| 13 | 6 | Cellular/Access Charge | Amount, Minutes |
| 13 | 10 | Cellular/Usage | Amount, Minutes |
| 13 | 11 | Cellular/Activation | Amount |
| 13 | 14 | Cellular/Late Charge | Amount |
| 13 | 30 | Cellular/Feature Charges | Amount |
| 13 | 33 | Cellular/Roaming Charge | Amount, Minutes |
| 13 | 43 | Cellular/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.) |
| 13 | 49 | Cellular/Interstate Usage | Amount, Minutes |
| 13 | 50 | Cellular/Intrastate Usage | Amount, Minutes |
| 13 | 51 | Cellular/International Usage | Amount, Minutes |
| 13 | 98 | Cellular/Access Number | Lines |
| 13 | 99 | Cellular/Interstate Access Charge | Amount, Minutes |
| 13 | 100 | Cellular/Intrastate Access Charge | Amount, Minutes |
| 13 | 101 | Cellular/Interstate Roaming | Amount, Minutes |
| 13 | 102 | Cellular/Intrastate Roaming | 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/Access Early Termination Fees | Amount |

| Transaction Type | Service Type | Description | Required Input Data |
|:---:|:---:|:---:|:---:|
| 13 | 622 | Cellular/Text Message | Amount |

# 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