

The **communications tax** category guide

Know which products and services may trigger complex communications tax obligations

Many businesses selling communications services don't realize they could be subject to communications tax obligations, an entirely separate, highly complex, and rapidly expanding tax regime with distinct rules, surcharges, jurisdictional requirements, and filing obligations.

This is one of the most common compliance risk areas for companies that don't traditionally think of themselves as telecom providers but have embedded comms features in their products. The result is often operational complexity, compliance and audit exposure, steep penalties, and owed interest.

COMMUNICATIONS TAX CATEGORIES:

Services that may trigger compliance obligations



Voice and wireless services:

Voice services are communications services that enable real-time spoken or audio communication between parties.

Risk: The most audited category in communications tax — if your business enables voice services, sales tax alone is not enough.

- Wireline/landline telephone
- Wireless/cellular services
- Voice over Internet Protocol (VoIP)
- Unified Communications as a Service (UCaaS)
- Satellite telephone services
- Teleconferencing services



Video and streaming services:

The rapidly expanding category of video and streaming services covers any paid delivery of video content to end users.

Risk: Tax authorities are expanding their definitions of taxable video services and states are actively working to capture revenue from streaming subscriptions — making this a fast-moving and unpredictable category.

- Traditional cable and satellite television
- Streaming platforms including:
 - Over-the-top (OTT) video (e.g., Netflix, Hulu, and Disney+)
 - Streaming radio (e.g., SiriusXM)
 - Fitness, education, Healthcare related platforms and other niche streaming subscriptions



Data and connectivity services

Data and connectivity services encompass the infrastructure and technology that enable businesses and consumers to transmit, access, and exchange data across networks.

Risk: The line between protected internet access and taxable data services is narrower than most businesses expect, creating significant and frequently misunderstood tax exposure. And regulators are paying close attention.

- Private network services
- Software-defined networking (SD-WAN)
- Private wireless and Internet of Things (IoT)



Tech-embedded communication services

This category covers businesses that aren't traditional telecoms but have embedded communications capabilities into their products or platforms.

Risk: Increasingly pulled into the communications tax net as CPaaS and embedded communications grow.

- Communications Platform as a Service (CPaaS)
- SMS/text messaging — automated or application-to-person (A2P) messages
- SaaS platforms that integrate calling, SMS, or video



Avalara AvaTax for Communications

Avalara for Communications is a purpose-built compliance solution for companies selling communication services — covering not just the more complex communications tax regime, but also S&U and VAT, automating the taxes, filings, and compliance workflows that standard sales tax tools weren't designed to handle.

- Automate tax calculation and exemptions
- Returns prep, filing, and remittance
- Address broader compliance workflows, including 1099, e-invoicing, property tax, and VAT reporting

Why this matters?

Many organizations implemented a sales tax solution that matched their business at the time — but acquisitions, new service offerings, market expansion, and evolving tech can instantly introduce broad communications tax obligations that weren't previously relevant or contemplated.

If your business has changed, your compliance approach may have gaps you haven't accounted for yet.

Ready for a conversation with an Avalara Communications Expert?

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