2026
COMMUNICATIONS TAX OUTLOOK

How to navigate change
and stay compliant

Avalara
Tax compliance done right

Contents

DISCLAIMER

Tax rates, rules, and regulations change frequently. We hope you find this information helpful; however, this resource is for informational purposes only and does not provide legal or tax advice.

Introduction

Communications tax is entering a new era of complexity. Fragmented regulations, shifting nexus standards, and a growing reliance on digital services are putting telecom, VoIP, unified communications as a service (UCaaS), and over-the-top (OTT) providers at heightened risk. A fast-changing legal environment and the growing use of AI in compliance operations add to the challenge.

This executive summary gives you a clear snapshot of what's changing, what to avoid, and how Avalara helps businesses like yours stay audit-ready, compliant, and confident.

What are the communications tax changes expected in **2026**?

Staying compliant now means keeping pace with evolving rules and expectations.

FCC AND FEDERAL POLICY SHIFTS

USF reforms and deregulation are redefining reporting obligations.

NEW NEXUS STANDARDS

More states are enforcing economic nexus rules – bringing more providers under tax obligation.
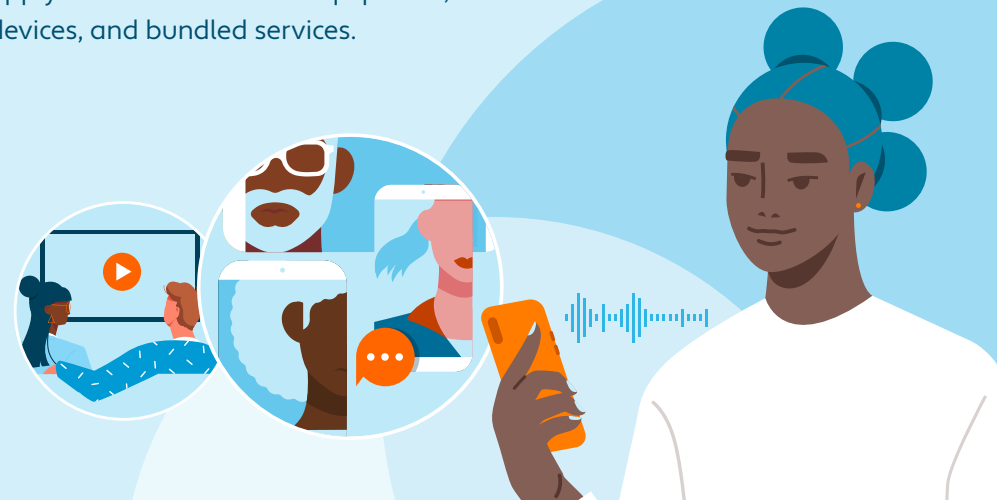
RISING AUDIT PRESSURE

The focus areas are VoIP traffic sourcing, bundled services, digital content, and Form 499 accuracy.

MORE SCRUTINY ON BILLING PRACTICES

Regulators are watching how providers apply taxes and surcharges on invoices, especially for bundled or digital services.

EMERGING ENVIRONMENTAL AND E-WASTE FEES

States such as California are expanding environmental surcharges, including e-waste recovery fees, that apply to communications equipment, devices, and bundled services.

Common compliance pitfalls that increase audit risk

Many providers run into these recurring compliance issues:

ZIP-CODE SOURCING ERRORS
Relying on postal codes instead of precise location leads to misapplied taxes.

MISCLASSIFYING SERVICES
Digital versus telecom versus bundled offerings often get taxed incorrectly.

LAPSED EXEMPTION CERTIFICATES
Expired, missing, or poorly tracked documents trigger audit findings.

MANUAL FORM 499 AND FEE FILINGS
Broken workflows for USF, E911, or other filings increase error risk.

UNCLEAR INVOICES
Mixing taxes and surcharges confuses customers and raises compliance flags.

ENVIRONMENTAL FEE MISCLASSIFICATION
As new state-level e-waste and sustainability surcharges take effect, misreporting or omitting them from invoices can create exposure under both environmental and communications tax audits.

How Avalara helps manage tax complexity

Avalara offers a purpose-built communications tax engine designed for telecom, VoIP, OTT, and bundled solutions service providers.

COMMON OBSTACLE	AVALARA SOLUTION
Jurisdictional complexity	Geolocation and rules engine for more accurate tax sourcing
Traffic study requirements	Defensible reporting that supports FCC safe harbor compliance
Certificate management	Automated capture, tracking, and audit readiness
Filing overload	End-to-end returns automation to cut manual efforts
Tax mislabeling	Compliance engine with invoice logic for clear, more accurate billing
Constant change	Real-time updates to keep pace with shifting rules

THINQ

"I don't want to be a tax expert. I just want it to be off my plate. Who really wants to know how all this works? You just want to be compliant and do it the right way." – Aaron Leon, **CEO**

Read full customer story

GLOBALSTAR

"We depend on Avalara's expertise and their solution. They're in the business of being right, and their technology makes it easy for us." – Erwin Wilson, **Indirect Tax Senior**

Read full customer story

Why leading providers choose Avalara

Stay compliant everywhere with built-in coverage of federal, state, and local telecom rules

Keep billing in sync through seamless integrations with leading billing and ERP systems

Reduce errors proactively with AI-powered monitoring and anomaly detection

Be audit-ready anytime with transparent trails and support-ready documentation

Scale with confidence across VoIP, UCaaS, SaaS, and streaming platforms
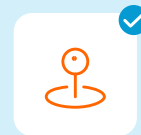
Audit-readiness checklist for 2026

Use this checklist to evaluate your approach to risk:

Sourcing logic is validated with geolocation to ensure accuracy

Filings are managed efficiently across thousands of jurisdictions

Exemption certificates are current, tracked, and organized

Automation is used to detect and fix compliance issues before they escalate

Bundled and digital services are classified correctly for taxability

Environmental and e-waste fee applicability has been reviewed and integrated into billing workflows

Invoices are clear, with taxes and surcharges separated for transparency

Managing tax complexities can drain time and focus. **Let Avalara do the heavy lifting for you.**

Avalara

Simplify compliance with Agentic Tax and Compliance™ from Avalara

Avalara is redefining how businesses manage tax and compliance with an AI-powered framework that embeds intelligent agents directly into tools, systems, and workflows to deliver speed, accuracy, and automation at scale. Our AI agents can observe, advise, and execute tasks such as determining tax rates, validating exemption certificates, and ensuring invoices are clear and audit-ready.

With Agentic Tax and Compliance™, Avalara automates compliance across the entire business ecosystem in a new way.

Contact us today to schedule a personalized demo