***An Unexpected Side Effect of 5G: Be Ready for More Complex Taxes***

*By Tony Susak, General Manager, Avalara for Communications*

5G will deliver faster speeds, lower latency, and greater reliability than its 4G predecessor, which powers most mobile devices today. These benefits will enable new and improved applications across every industry, from healthcare to agriculture to transportation. Carriers are rushing to rollout 5G services across the U.S., and businesses are making plans to take advantage of the opportunity.

But while 5G will bring opportunities to these businesses, it will also bring challenges. One often unexpected challenge is the potential for communications tax. While businesses may be used to collecting and remitting sales and use tax, a failure to consider communications tax implications could lead to a major tax liability or penalties and interest (P&I).

What would happen to a business if it faced a sudden tax shock? How would customers react if businesses suddenly had to raise prices to cover a liability or P&I? By approaching these new 5G-powered services the right way, businesses will be able to confidently roll them out while minimizing the risk of a costly surprise.

**How to Plan for Communications Tax Implications**

Combining the capabilities of a 5G network with sensor hardware and the application of technologies like machine learning (ML), artificial intelligence (AI), and augmented reality (AR) will create opportunities to take businesses to the next level.

For example, sensors in a factory can relay real-time data to remote managers or service techs to notify them of a problem before it escalates. AR can be utilized to dig deeper into alerts, diagnosing and remediating concerns without downtime. Predictive analysis using ML/AI can provide recommendations and make improvements to recurring issues, increasing efficiency and saving expenses. And, agricultural applications in both crop science and animal health will have major implications in improving the global food supply chain as well as environmental impacts.

But by simply transmitting data across 5G networks, these new services and products now may be subject to communications tax. However, just because a product or service transmits data, it does not mean it will be subject to communications tax. There are numerous complexities to understanding the nuances of communications tax applicability. And if it is, accurate calculation of the tax liability and appropriate filing can be complicated.

What is a good rule of thumb? If the device has internet access embedded onboard rather than utilizing another internet connection, it is likely communications taxable. Another good test is if you can surf the internet from the device. If so, it is likely not communications taxable.

However, there are a lot of caveats to these tests, so if you are not a tax experts, you should consult one to confirm taxability. Once it is determined that the product is communications taxable, businesses can start by getting the right people in place.

Most small and medium businesses do not have the staff, expertise or technical infrastructure to determine and track communications tax liability. So it may be essential to hire a communications tax expert or contract with a third-party tax expert or service provider to ensure proper determination of the liability and accurate calculations. These experts keep on top of changes in legislation, and will help businesses be prepared for taxability scenarios.

**The Future is Bright**

As 5G continues to grow it will present tremendous business opportunities for innovative companies. Understanding, and being ready for, any potential communications tax impacts on the horizon as these exciting new services continue to roll out is critical during this pivotal point in wireless technology evolution. By getting ahead of any potential communications tax responsibility, businesses will be able gain a competitive advantage by rolling out exciting and differentiated services without risking a financial shock.

Bio

About Tony Susak, General Manager, Avalara for Communications

Tony Susak joined Avalara in March 2017 as the general manager of Avalara’s Communications Business Unit. Prior to joining Avalara, he served as the director of tax for AT&T, where his team had responsibility for calculating, filing and remitting millions of dollars annually across every jurisdiction in the United States and many jurisdictions abroad. Prior to AT&T, Susak held similar positions with Cricket Communications, Cingular Wireless, Virgin Mobile and General Motors' OnStar division. In these roles, he also helped to develop policy and influence legislation involving vehicle telematics and communication taxes. Susak holds an MBA with Distinction from the Keller Graduate School of Management and a Bachelor of Science degree in accounting from Indiana State University. He is a member of the American College of Forensic Examiners.