

Intermedia Reseller’s Tax Responsibility Guide (United States)

Communications services are regulated to varying degrees by federal, state and local authorities. As a result, various taxes and regulatory fees are assessed on telecommunications service providers. AccessLine Communications Corporation (a wholly owned subsidiary of Intermedia.net, Inc. that does business under the generic trade name “Voice Telco Services”) is the telecommunications service provider in this case. Intermedia.net, Inc. and its subsidiary AccessLine Communications Corporation are collectively referred to in this document as “Intermedia.”

Under Intermedia’s reseller model, for purposes of these federal, state and local taxes and fees, partners act as marketing agents on Intermedia’s behalf to collect such taxes and fees from the end user – and then pay those taxes and fees to Intermedia, so that Intermedia can remit them to the appropriate authorities. Intermedia takes the position that this arrangement satisfies the applicable tax and fee requirements, as all of the relevant tax and regulatory authorities are receiving all payments due to them.

As described in more detail below (under “End Customer Billing/Invoicing”), the reseller is required, by law, to provide certain information on the end customer’s invoice regarding the identity of the telecommunications service provider and the taxes and regulatory fees being charged. Please review those carefully, as they are specific legal requirements that all resellers must comply with.

Taxation area of responsibility	Description of Responsibilities	Intermedia Responsibility	Reseller Partner Responsibility
Quoting and Order Processing	All federal and state taxes depend on the end-customer location and the end-customer price. Intermedia has developed a set of tools and processes that gives partners flexibility to maintain the billing relationship with their customers, and helps ensure that all taxes and fees can be calculated, collected and remitted accurately in	<ol style="list-style-type: none"> 1. Intermedia provides the tools for partners to quote for services based on the customer location and customer purchase price. 2. Intermedia provides the tools to place orders and collects the customer locations, services purchased and the customer purchase price. 	<ol style="list-style-type: none"> 1. The reseller retains the ability to establish the sale price for Intermedia services for its end customers and maintains the billing relationship with the end customer. 2. Using Intermedia’s current order processing systems, the reseller must provide Intermedia with full, complete and accurate information regarding (a) what Intermedia services have been sold to the end customer, (b) the end customer pricing for each such service,

Taxation area of responsibility	Description of Responsibilities	Intermedia Responsibility	Reseller Partner Responsibility
	compliance with federal, state and local regulations.		and (c) the location where each service is being used by the end customer. 3. There are certain products that, due to their complexity for taxation purposes, cannot be marked up by a reseller. Those products include, for example, toll-free minute overage charges, international minute charges, and shipping fees calculated by a shipping carrier.
Federal Taxes and Regulatory Fees	The primary federal taxes and fees applicable to telecommunications services are assessed as part of the Universal Service Fund (USF) program, which is administered by the Universal Service Administrative Company (USAC).	<ol style="list-style-type: none"> 1. Based on the information provided by the reseller, Intermedia calculates the federal taxes and regulatory fees. 2. Intermedia provides the amount of the taxes and fees to the reseller on a monthly basis along with the invoice for the services purchased by the reseller. 3. Once the reseller pays the taxes and fees to Intermedia, Intermedia then remits the taxes and fees to the various federal government agencies. 	<ol style="list-style-type: none"> 1. The reseller must collect the taxes and regulatory fees exactly as indicated in the invoicing documentation provided by Intermedia. Taxes and regulatory fees cannot be marked up or blended/combined with other service charges. 2. The reseller must then remit these taxes and regulatory fees to Intermedia. Intermedia (through its AccessLine/Voice Telco Services subsidiary) will then remit those amounts to its tax vendor for remittance to the various agencies and jurisdictions where the service is being delivered.
State and Local Taxes and Regulatory Fees	Within each state, there is a Public Utility Commission or a Public Service Commission (or similar agency) that is	<ol style="list-style-type: none"> 1. Based on the information provided by the reseller, Intermedia calculates the 	Intermedia resellers are required to follow the same disclosure and invoicing processes outlined in the “Federal Taxes and Regulatory Fees” section above.

Taxation area of responsibility	Description of Responsibilities	Intermedia Responsibility	Reseller Partner Responsibility
	<p>responsible for regulating communications services in that state. If the service provider is providing service in a state that regulates its service, then the service provider is required to charge, collect and remit certain state and local taxes, and the service provider is also responsible for paying additional state and local level regulatory fees that it is allowed to recover from its customers. Intermedia (doing business through its subsidiary AccessLine /Voice Telco Services) is impacted by these requirements in virtually all states and regions in which it does business.</p>	<p>state and local taxes and regulatory fees.</p> <ol style="list-style-type: none"> 2. Intermedia provides the amount of the taxes and fees to the reseller on a monthly basis along with the invoice for the services purchased by the reseller. 3. Once the reseller pays the taxes and fees to Intermedia, Intermedia then remits the taxes and fees to the various local and state government agencies. 	
<p>Calculation of other Taxes and Fees Due</p>	<p>As explained above, communications services are subject to a wide range of taxes and regulatory fees at the federal, state and local level. In addition to the telecommunications taxes and fees that apply to Intermedia services, these other taxes may</p>	<ol style="list-style-type: none"> 1. If the reseller DOES NOT provide Intermedia a valid resale certificate, Intermedia calculates the state and local sales taxes and fees. 2. Intermedia provides the amount of the taxes and fees to the reseller on a 	<ol style="list-style-type: none"> 1. If the reseller DOES provide Intermedia a valid resale certificate, the reseller assumes responsibility for calculating, collecting and remitting sales tax for any products or components of bundled products that are subject to sales tax, including, but not limited to, any hardware that the reseller sells to the customer (including any hardware from

Taxation area of responsibility	Description of Responsibilities	Intermedia Responsibility	Reseller Partner Responsibility
	<p>include, for example, sales tax, communications services tax, gross receipts tax, business and occupation tax, and utility use tax. Each service may have a different tax and fee treatment in each jurisdiction.</p> <p>Some resellers have a valid resell certificate that they can provide to Intermedia, which allows them to calculate and remit those taxes on their own.</p>	<p>monthly basis along with the invoice for the services purchased by the reseller.</p> <p>3. Once the reseller pays the taxes and fees to Intermedia, Intermedia then remits the taxes and fees to the various state and local government agencies.</p>	<p>Intermedia that the reseller marks up). [Note: A valid resale certificate will exempt ALL sales tax, including any sales tax due on telecommunications services; therefore, no sales tax will be calculated on the partner invoices, and reseller will be responsible for billing, collecting and paying all applicable sales tax. However, if the reseller would like Intermedia to calculate the sales tax on all services, but exempt any purchase of hardware, the reseller must communicate this request in writing to the reseller's Intermedia sales representative or Tax department when the reseller provides the valid resale certificate to Intermedia.]</p> <p>2. Resellers are <u>always</u> responsible for calculating, collecting, and remitting sales tax for any additional services (such as installation, professional services or design services) that the reseller sells to the end customer in addition to or separate from Intermedia services.</p> <p>These taxes must be listed <u>in a separate section</u> on the customer's invoice (i.e., different from where the telecommunications taxes and regulatory fees that Intermedia calculates are presented).</p>

Taxation area of responsibility	Description of Responsibilities	Intermedia Responsibility	Reseller Partner Responsibility
End Customer Billing/Invoicing	Invoicing the end customer is the responsibility of the reseller, as the reseller owns the relationship with the customer. Intermedia does not bill the end customers of our resellers.	<ol style="list-style-type: none"> 1. Intermedia provides, to each reseller, an Explanation of Charges every month for each of the reseller’s customers. This document provides a detailed explanation, for each customer, of all of that customer’s charges based on the information provided by the reseller. The document has no references to Intermedia, so the reseller can send it directly to the customer or attach it to the customer’s invoice. 2. Intermedia also provides the reseller with each customer’s billing information via Exportable Billing History Reports available in Intermedia’s Partner Portal or (optionally) by using the automated integration with the reseller’s Professional Services Automation (PSA) system (e.g. ConnectWise, Autotask). 	<p>The reseller is required, under telecommunications law, to include the following on the end customer’s invoice:</p> <ol style="list-style-type: none"> 1. The name of the telecommunications service provider. As noted above, the legal name of the service provider is AccessLine Communications Corporation, but that name can be easily tied to Intermedia. We have therefore registered a generic trade name for our AccessLine entity – “Voice Telco Services” – which is not easily tracked to Intermedia. So, to preserve the white-label relationship, the reseller should state on the invoice that the telecommunications services are provided by “Voice Telco Services” to satisfy this requirement; and 2. A section that lists all of the taxes and regulatory fees that are being charged on the services. Note that the end customer invoice must include <u>all</u> of the taxes and fees that Intermedia includes on its invoice to the reseller. <p>As noted above, the reseller retains the ability to establish the sale price for Intermedia services for its end customers and maintains the billing relationship with the end customer.</p>

Taxation area of responsibility	Description of Responsibilities	Intermedia Responsibility	Reseller Partner Responsibility
Reporting and Remitting Owed Taxes	Once taxes have been calculated, billed and collected, they must be remitted to the various tax authorities.	Once taxes are remitted to Intermedia by a reseller, Intermedia (through its subsidiary AccessLine /Voice Telco Services) will then remit the taxes, exactly as specified, to Intermedia’s tax vendor for remittance to the various agencies and jurisdictions where the service is being delivered. If an applicable regulatory authority (i.e., an authority under whose jurisdiction Intermedia is providing services) requests any reports regarding such taxes, Intermedia will provide the authority with the requested reports.	If the reseller provides Intermedia a valid resale certificate, the reseller will be responsible for generating and providing all sales tax reports, as and when needed by any specific state or local authority, on services other than telecommunications services. [As noted above, a resale certificate will not exempt the reseller from sales tax on telecommunications services.]
FCC and State/Local Licensing and Registration	Intermedia (through its subsidiary AccessLine /Voice Telco Services) holds certain licenses issued by the Federal Communications Commission (FCC) and various states. This includes, for example, domestic and international FCC Section 214 authorizations, as well as	Intermedia files 499 forms and numerous other monthly, quarterly and annual returns and reports in our own name for the services we provide, and we collect and remit taxes based on the prices paid by end customers for our services (thus covering the tax	Resellers of Intermedia services have the option, if they so choose, of registering with the FCC as a reseller of telecommunications services and filing blank 499 forms with the FCC in the reseller’s own name every quarter (i.e., filings with no reported sales). However, regardless of such registration and filing, unless the reseller provides Intermedia with valid tax exemption documentation, Intermedia will collect and remit all

Taxation area of responsibility	Description of Responsibilities	Intermedia Responsibility	Reseller Partner Responsibility
	registrations with a number of state Public Utility Commissions and Public Service Commissions.	obligations of both Intermedia and our resellers).	applicable taxes and fees due on the Intermedia services (based on the prices paid by end customers for the services, as reported by the reseller), in order to relieve the reseller of all such tax remittance and reporting obligations. Intermedia takes the position that resellers of our services are marketing agents, and we believe that our structure complies with the FCC's requirements by ensuring that all applicable taxes and fees are being remitted in full.

Note: This Tax Responsibility Guide does not constitute tax or legal advice. Tax and legal requirements are extremely complex, and their application to you and your business may depend on a number of factors specific to your business, including without limitation what other products and services you sell; how, where and to whom you sell them; and the documentation that you use to market, sell and bill for the services and products. If you have questions about how these requirements apply to you and your business, you are encouraged to seek professional advice from your tax and legal advisors.