siptrunk™

eBook

The Hidden Challenge of SIP Trunk Reselling: A Practical Guide to Billing, Taxation & Telecom Compliance



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The opportunity is huge—and so is the administration

SIP trunking is one of the most prominent shifts in business communications over the past decade, with a market that is expected to grow from $85 billion in 2026 to $182 billion by 2031, driven by cost savings of 25% to 65% over legacy PRI lines.[1] As traditional phone systems are being phased out worldwide and urgent demand is created for modern solutions, SIP resellers can capture a significant share of that growth with a recurring revenue model of predictable income that compounds with each new client.

There are a variety of ways to engage with SIP trunking providers, from agent partnerships, which offer a simple entry point but typically have lower margins, to white-label programs, which give you ownership of the customer relationship and typically yield higher profit margins. In this case, you are responsible for handling sales, support, and billing while your partner manages the technical back end. The challenge is that the complexity of billing and taxation can be burdensome—for many resellers this ends up being a significant drag on their business.

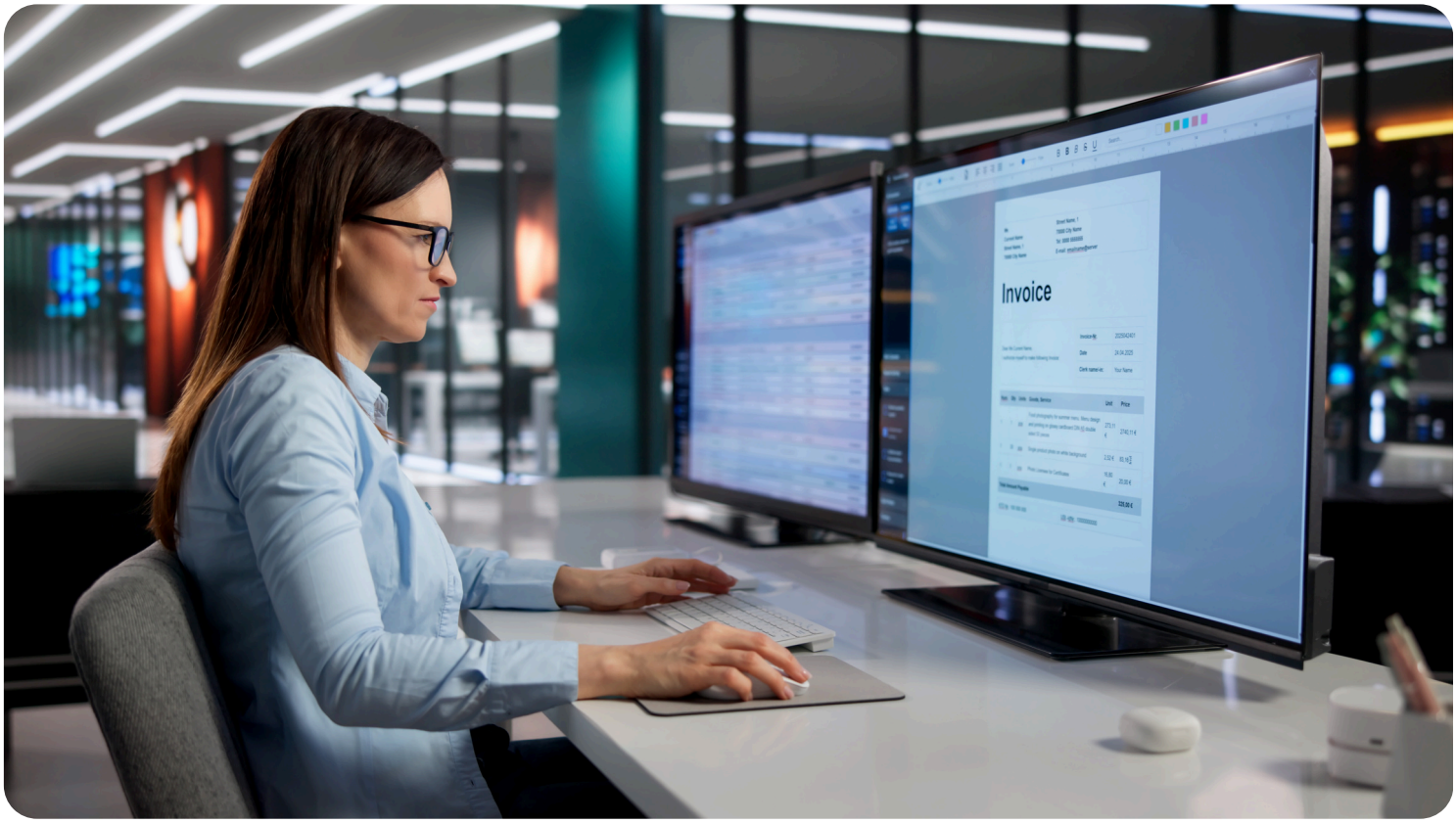
[1] Mordor Intelligence, SIP Trunking Market Size & Share Analysis—Growth Trends and Forecast (2026 - 2031)

Why telecom billing is different

It's easy to fall into the trap of thinking that SIP trunking is simply another subscription like SaaS, infrastructure, managed services, and other recurring technology solutions and services you may offer. The reality is that telecommunications is governed by a very different tax and regulatory framework and many new resellers don't discover this until after they've started selling VoIP of any kind, including SIP trunking. And it can be complicated. You must be aware of:

- **State-level sales tax:** Many states require you to collect sales tax on VoIP services.
- **Municipal taxes:** Local municipalities may have additional tax regulations.
- **Federal obligations:** Fees like the Federal Universal Service Fund and E911 service fees are also applicable.

These taxes and fees can significantly affect your bottom line as a reseller. Ignoring them can lead to hefty penalties and broken client relationships.



Understanding the taxes and fees on a SIP trunk invoice

First, you need to understand that legal VoIP fees are mandatory government-required taxes and legal provider surcharges added to internet phone bills, categorized as either government pass-through fees or provider-set regulatory recovery surcharges. Providers are legally required to pass through exact government costs without marking them up for profit. Following are common legal VoIP fees:

E911 fees	Imagine someone needs to call 911. The E911 fee funds the technology that links emergency callers with the nearest call center, sharing their location and callback number, to ensure the caller can be located quickly and efficiently. The fee, which varies from $0.20 to $2.00 per line, is a small price for a potentially life-saving service.
USF fees	The Federal Universal Service Fund (USF or FUSF) fee supports the goal of universal access to telecommunications services across the United States. VoIP providers contribute 15.5-33% of their revenue to this fund, and these costs are often passed down to consumers. Keeping an eye on this fee is essential, as it can fluctuate throughout the year.
Number portability fees	Want to keep your current phone number when switching to a new VoIP provider? That's where local number portability (LNP) fees come in. Generally ranging from $10 to $20 per ported number, these fees cover the administrative costs of transferring your number. It's a one-time fee, but it's something to consider when transitioning to VoIP.
Federal, state, and local taxes	Just like buying a car or a new pair of shoes, VoIP services are subject to taxes. These can include local sales taxes, state and federal excise taxes, and even city or additional local government taxes. The exact amount can vary significantly based on where you or your customers are located.
Gross revenue surcharge	This surcharge is a way for VoIP providers to offset their own tax burdens. It's not government-mandated but is a common practice. Essentially, it's a percentage of the taxes charged on the revenue generated by a customer.
Intercarrier compensation	When calls traverse networks owned by different carriers, intercarrier compensation fees come into play. These fees are determined based on the call's origin, destination, and the networks involved. They ensure that each carrier gets a fair share for their part in connecting calls.
Internet infrastructure surcharge	Some providers might include a fee to cover the costs of maintaining and upgrading their internet infrastructure. This isn't required by law but helps ensure that the VoIP service remains high-quality and reliable.

Compliance responsibilities every reseller should know

FCC registration

Every VoIP reseller must register with the Federal Communications Commission using Form 499-A, regardless of business size or revenue thresholds. This registration identifies your company as a telecom service provider and establishes contribution obligations for Universal Service Fund programs supporting rural telecommunications, low-income access, and emergency services. Once registered, resellers receive an FCC Registration Number that must be referenced in all regulatory filings and can be provided to wholesale partners to avoid duplicate taxation on services.

Nexus requirements

Telecom compliance for resellers includes understanding "nexus" requirements that determine where you have tax obligations. Nexus can be established through physical presence, employees, or significant sales within a state. These determinations affect where you must collect and remit taxes on telecom services.

Many states require separate business registration for telecommunications providers. These registrations often carry annual fees and reporting requirements independent of federal obligations. Public utility commissions in various states may also impose additional oversight and compliance requirements, including tariffs and rate filing obligations for certain types of services.

Sales tax obligations

Sales tax compliance varies by jurisdiction, with different rates and rules for telecom services. First, you need to determine the appropriate taxes to charge your customers based on their location and the services provided. Not all VoIP services are taxable. For instance, some states may tax hosted telecommunication services, while others might not. There are some additional considerations you need to understand to manage your reseller taxes appropriately.

- **Static vs. nomadic:** Static VoIP services are tied to a fixed location, like an office. This setup makes it easier to determine the taxes since the service's location is constant. On the flip side, nomadic VoIP lets users make calls from anywhere. This mobility complicates tax calculations because the service can cross different tax jurisdictions.
- **Interconnected vs. non-interconnected:** Interconnected VoIP connects with the traditional phone network, while non-interconnected VoIP does not. Interconnected services might face more regulatory fees and taxes because they interact with the broader telecommunications ecosystem. Non-interconnected services, being more insulated, might not trigger as many tax obligations.

Tools like Avalara can simplify the process by automatically calculating the correct tax rates for each transaction. This helps ensure you charge the right amount and stay compliant with local tax laws.

Remittance obligations

Once you've collected the appropriate taxes, remittance obligations come into play. This means you need to:

- **File and remit taxes to the appropriate tax authorities:** Depending on where your customers are located, you may need to file taxes with multiple state and local tax agencies.
- **Maintain accurate records:** Keeping detailed records of all transactions and taxes collected is essential for compliance and for simplifying the filing process. Regulatory reports are how you communicate your compliance to authorities. These might include details on the E911 fees collected, contributions to the USF, and more. Submitting accurate and timely reports is crucial to avoid penalties.

Further complicating matters, tax rates and norms can change frequently. Keeping up with these changes is crucial for compliance and reliability. For example, inform your customers about quarterly changes to the FUSF rate as soon as the FCC approves the new rate. Also, keep an eye on state-specific changes, which can happen frequently.

Common billing mistakes that hurt profitability and create compliance risk

Incorrect revenue categorization

You need to know your revenue streams. VoIP services can include a variety of offerings, such as call plans, number porting, and additional features like voicemail or call forwarding. Each of these might be taxed differently depending on your location and the specifics of the service. By categorizing your revenue accurately, you can apply the correct tax rates, making the whole process smoother and more precise.

Overreliance on safe harbor

The safe harbor principle is a guideline suggesting that a certain percentage of your VoIP services are considered interstate (across state lines) and thus subject to federal rather than state taxes. However, relying solely on this without conducting an internal traffic assessment could lead you to misclassify your revenue. It's essential to analyze your call data to determine the actual percentage of interstate calls. This careful approach ensures you're not over- or underpaying taxes.

Manual processes

Manual tax calculations and filings are time-consuming and error-prone. Using automated tax software can save you countless hours and significantly reduce the risk of errors. Platforms like Rev.io or Datagate are designed to handle the complex web of VoIP taxation, from calculating the correct amount for each bill to ensuring timely filings. These tools keep track of changing tax rates and regulations, so you're always compliant without the manual headache.

Tax engine inaccuracies

Choosing the right tax engine is crucial. This software does more than just automate calculations; it ensures that each assessment is accurate and compliant with the latest regulations. A tax engine must be capable of handling the nuances of VoIP taxation, including differentiating between interconnected and non-interconnected VoIP, and determining tax obligations based on customer location or call origination and termination points.

Billing and taxation best practices

Customer billing best practices

Transparency builds trust. Many customers may not understand the complex tax obligations associated with your SIP trunking services. Being up front with them can strengthen your relationship. Here are some ways to be transparent:

- Provide example invoices: Show prospects what their bills might look like, including all fees.
- Break down costs: Explain how monthly costs compare to the base rates you charge.
- Share informational resources: Offer details about different taxes in each customer's state and where required fees go.
- Clear billing: Make it easy for customers to see taxes and pass-through fees as distinct line items on their bills.

Tax compliance best practices



Regular tax reviews

Conduct regular reviews of your tax processes and obligations. This includes staying updated on tax rate changes, new regulations, and ensuring that your tax calculations and remittances are accurate. Periodic audits by a tax professional can help identify and rectify any discrepancies.



Detailed record-keeping

Maintain comprehensive records of all transactions, tax calculations, remittances, and exemption certificates. Detailed documentation is crucial for substantiating your tax filings and defending against audits.



Customer communication

Clearly communicate tax charges on customer invoices. Ensure that customers understand the taxes and fees applied to their services, and provide detailed breakdowns if necessary. Transparent communication can help prevent disputes and enhance customer satisfaction.



Leverage technology

Use technology to automate tax calculations, invoicing, and remittance processes. Many tax automation solutions integrate seamlessly with billing systems and provide real-time updates on tax rates and regulations. Automation reduces the risk of errors and saves valuable time.



Training and education

Invest in training and education for your team. Ensure that your staff understands the basics of telecommunications taxation and the specific requirements for SIP trunking. Continuous education can help your team stay informed about changes in tax laws and improve overall compliance.

Can you build a SIP trunking practice without becoming a tax expert?

The good news is that you can build a profitable SIP trunking practice without having to become a tax expert—or spend hours upon hours every month parsing out telecom invoices to ensure you are billing your customers accurately. This requires you to partner with a SIP trunk provider that will take care of the end-customer billing and taxation so you don't need to worry about monthly invoicing or handling complex state, federal, and other phone service taxes and fees.

SIPTRUNK offers a dedicated dealer program featuring hands-off automated tax calculation and built-in billing systems, as well as fast customer provisioning and zero up-front contract costs. This means you can spend your time acquiring customers, growing recurring revenue, and delivering exceptional service—not calculating telecom taxes, filing compliance reports, or chasing invoice discrepancies.

Get started building a profitable SIP trunking practice without the billing and taxation burden, visit SIPTRUNK.com/get-started/.



Why so many successful SIP resellers choose SIPTRUNK

The SIPTRUNK platform is designed for businesses that want to build a SIP trunking practice and recurring revenue stream selling SIP trunking services, quickly and painlessly. With SIPTRUNK you'll get access to a simple-to-use SIP trunk solution that makes selling and managing your customers a breeze.

SIPTRUNK offers:

Platform compatibility
SIPTRUNK works with all major IP PBX, IP gateways and open-source PBX projects. No matter the manufacturer you represent or the system deployed, SIPTRUNK is compatible.

No contracts
With SIPTRUNK, neither you nor your customers will need to enter into any long-term contracts or make large up-front investments. Everyone pays for what they need, when they need it.

Expert support
Our industry-leading support center provides access to telco veterans ready to help you win opportunities or resolve technical issues. You and your customers are in the best hands.

Hands-off billing and taxes
We take care of end-customer billing and taxation so you don't need to worry about monthly invoicing or handling complex state, federal, and other phone service taxes.

Automated provisioning
SIPTRUNK features fully automated account creation and service provisioning. It takes less than 10 minutes—start to finish—to have SIP service ready for use.

Transparent commissions
Receive transparent monthly reporting and automated commission payouts directly into your bank account. Every invoice has a detailed breakdown of earnings.

Bring your own bandwidth
Unlike many other SIP trunking providers, with SIPTRUNK you and your clients can use any internet provider you choose. This gives you the flexibility to select the best possible internet service offering.

Toll fraud protection
SIPTRUNK systems are constantly monitoring for unauthorized calling and are set-up to kill any suspicious activity immediately, helping to protect from potential fraud.

Widespread DID coverage
SIPTRUNK has a large database of telephone numbers across rate centers in the US and Canada, plus 40 other countries. This means most DID requests get provisioned immediately.

Quick path to revenue
SIPTRUNK makes it easy to get started. You can sign up, complete your agreements, and be ready to sell without ever handling a piece of paper or writing a check. You'll be earning commissions in no time.

To get started building a profitable SIP trunking practice, visit SIPTRUNK.com/get-started/.

About SIPTRUNK

SIPTRUNK was founded by telecommunications experts with over 50 years of combined SIP trunking experience. We've called on this experience to bring you a platform that will propel you toward rapid success.

With SIPTRUNK you don't have to worry about the major up-front expense of purchasing your own softswitch or the monthly costs associated with hiring customer service and technical professionals. SIPTRUNK provides all of this for you. And, unlike other providers, we take care of end-customer billing and taxation for you, so you don't need to worry about monthly invoicing or handling complex state, federal, and other phone service taxes. Learn more at SIPTRUNK.com.