



Filing the FCC Form 499

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# Good Filing Practices

March 17, 2015 | Webinar

## Agenda

- New For the 2015 FCC Form 499-A
- Annual True-Up
  - De Minimis
- Good Filing Practices
- How to Avoid Common Findings
  - FCC Form 499-A
  - FCC Form 499-Q



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**New For 2015**

## 2015 FCC Form 499-A

- No substantive change to data collected or to the form instructions.
- All companies that have access to the Internet must file the FCC Form 499-A/Q using E-File:
  - FCC announcement:
    - [DA 14-1886](#) • [Doc 331395](#)
- Online filing resources available on USAC's website:
  - Online Filing Webinar (visit [Training & Outreach](#))
  - Online User Guide (visit [Forms](#))

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# Annual True-Up

## Background

The purpose of the true up is two-fold:

- Reverse any billings associated with filers determined to be *de minimis*.
- To compare quarterly filings to the year-end annual filing, so to adjust *non-de minimis* accounts for any differences in the revenue reported.

## Background

USAC uses the actual end-user interstate and international revenues from Line 423 of your 2015 FCC Form 499-A to determine your final Universal Service obligation for calendar year 2014.

Interstate (Line 423d) + International (Line 423e) =  
499A Contribution Base (499A C Base)

## De Minimis

Determine whether a company is *de minimis* using the following formula:

(499-A C Base \* .162 Avg Contribution Factor) **minus**

(499-A C Base \* .162 Avg Contribution Factor \* .140052 Avg Circulatory Factor)

- If result is < \$10,000, contributor is ***de minimis***, and the January-December 2014 support mechanism charges will be reversed on the contributor's July 2015 invoice
- If result is > **or** = \$10,000, contributor is **NOT *de minimis***; continue to step 2.

## De Minimis

For Calendar Year 2014:

- Filers that report less than **\$71,782** of combined interstate and international revenues on Line 423, will be considered *de minimis*.

For Calendar Year 2015:

- Based on the FCC estimation factor , filers that will report less than **\$65,790** of combined interstate and international revenues on Line 423 *will likely* be considered *de minimis*.

## Obligations for De Minimis Companies

- Must file the FCC Form 499-A each year.
- Must notify underlying providers of *de minimis/non-de minimis* status.
- Not required to file FCC Form 499-Q; USAC recommends *de minimis* filers notify USAC each quarter of their continued *de minimis* status.
- Annually, about the time of the November FCC Form 499-Q, USAC recommends filers project the following year revenues to estimate if they will retain *de minimis* status.

## 499A/Q True Up

- If the sum of the 499-Qs projections **exceeds** the 499-A actual revenues, USAC will use the **average of 2 lowest FCC Contribution and Circularity Factors** from 2014 to calculate your credit.
- If the sum of the 499-Qs projections **is less than** the 499-A actual revenues, USAC will use the **average of 2 Highest FCC Contribution and Circularity Factors** from 2014 to calculate your adjustment.
- All credits and adjustments are issued on the July – September invoices.
- Subsequent Revised 2015 499-A Forms result in a recalculation of the original true up.

## 499A/Q True Up

	Interstate Revenue (Line 423D)		International Revenue (Line 423E)		Contribution Base
2015 499-A	\$2,377,064	+	\$19,218	=	\$2,396,282
	Interstate Revenue (Line 120B)		International Revenue (Line 120C)		Contribution Base
Nov 13 499-Q	\$621,080	+	\$7,495	=	\$628,575
Feb 14 499-Q	\$603,005	+	\$4,978	=	\$607,983
May 14 499-Q	\$623,264	+	\$4,627	=	\$627,891
Aug 14 499-Q	\$639,772	+	\$4,211	=	\$643,983
2014 499-Q Contribution Base	\$2,487,121	+	\$21,311	=	\$2,508,432

$$\text{True Up Base} = (499-A) - (Q1 + Q2 + Q3 + Q4)$$

$$-\$112,150 = (\$2,396,282) - (\$628,575 + \$607,983 + \$627,891 + \$643,983)$$

## 499A/Q True Up – Credit Calculation

- **Quarterly Credit**

$$(\text{True Up Base} * .159) - (\text{True Up Base} * .159 * .136749)$$

*(uses average of 2 lowest FCC Contribution and Circulatory Factors)*

- **Monthly Credit**

$$\text{Quarterly Credit} / 3$$

**Example:**

$$(-\$112,150 * .159) - (-\$112,150 * .159 * .136749) = -\$15,393 \text{ (Credit)}$$

*Company will receive -\$5,131 credit on its July, August, and September 2015 invoices*

## 499A/Q True Up – Adjustment Calculation

- **Quarterly Adjustment**

$(\text{True Up Base} * .165) - (\text{True Up Base} * .165 * .143356)$   
*(uses average of 2 highest FCC Contribution and Circulatory Factors)*

- **Monthly Adjustment**

Quarterly Adjustment / 3

*Company will receive +\$xxxx adjustment on its July, August, and September 2015 invoices*

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# **Good Filing Practices**

## General Suggestions

- Start early!
- Required to use E-File online filing starting with 2015 Form 499-A
- Review/update contact information with each filing.
- If you have a question about your bill, see the revised USAC.ORG Understanding My Invoice pages. Each section of the invoice is shown and clarified. If still have questions, contact USAC's Customer Operations.
- Any correspondence with USAC should include a Filer ID

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**Avoid Common  
Findings**

## FCC Form 499 Analysis

- All FCC Form 499 filings are checked against prior filings and FCC rules for compliance and accuracy.
  - › 40 checks conducted on the 499-A
  - › 10 checks conducted on the 499-Q
- USAC uses email to communicate:
  - FCC 499 Notice
  - Issue – Carrier Response Required
  - Non-Responder Notice
  - Accepted

## Form 499 Confirmation Emails

Example:

The April 2015 Form 499-Q (Rev 0) received on Wednesday, April 01, 2015 for Filer ID 88888 Generic Telephone has been approved by USAC. **This filing will decrease your company's contribution base by ~5.38% as compared to your company's Apr 2014 499-A.**

## Interstate Revenues

USAC will seek an explanation when:

- The current year reported assessable revenues changed significantly.
- The ratio of Local versus Long Distance revenues % change is greater than expected.

## Carriers Carrier vs. End User

USAC will seek an explanation when:

- When large **shift** of revenues is reported in Block 3 vs. Block 4 in comparing years.

*Reminder:* in order to report revenues as Carrier's Carrier, the Filer's customer must:

- 1. Incorporate the purchased services into its own offerings which are, at least in part, assessable U.S. telecommunications or interconnected Voice over Internet Protocol services.***
- 2. The company either directly contributes or has a reasonable expectation that another entity in the downstream chain of resellers directly contributes to the federal universal service support mechanisms on the assessable portion of revenues from offerings that incorporate the purchased services.***

## Carriers Carrier vs. End User

### “Reasonable Expectation” Standard

Pursuant to the *2012 Wholesaler-Reseller Clarification Order*, a filer may demonstrate that it has a “reasonable expectation” that a customer contributes to federal universal service support mechanisms based on revenues from the customer’s offerings by following the guidance in these instructions or by submitting other reliable proof.

## Carriers Carrier vs. End User

### “Reasonable Expectation” Standard

- Each filer should have documented procedures to ensure it reports “revenue from resellers” accurately.
- Minimum information on filer’s resellers must include:
  - Filer ID
  - Legal name
  - Legal address
  - Name of a contact person
  - Phone number of contact
  - Annual certification signed by reseller

## Carriers Carrier vs. End User

### “Reasonable Expectation” Standard

At the filer’s discretion, the filer may, for example, rely on certificates that specify any of the following:

1. Entity-level certification;
2. Account-level certification;
3. Service-specific certification; or
4. Exception-specific certification

## Carriers Carrier vs. End User

The following categories of revenues are **not** end-user revenue and are reported in Block 3:

Category of Revenue	Report on
Per-minute switched access charges and reciprocal compensation	Line 304
Revenues received from carriers as payphone compensation for originating toll calls	Line 306
Charges for physical collocation of equipment pursuant to 47 U.S.C. § 251(c)(6)	Line 307
Revenues that filers receive as universal service support from either states or the federal government	Line 308
Revenues received from another U.S. carrier for roaming service provided to customers of that carrier	Line 309

For these revenue items, the filer is not required to retain Filer 499 ID information or verify that the customer is a reseller.

## Private Line or WATS Lines: Ten Percent Rule

- “[U]nder the Commission's rules, **if over ten percent of the traffic carried over a private or WATS line is interstate**, then the revenues and costs generated by the **entire line** are **classified as interstate**.” \*
- “The Joint Board also concluded that the administrative benefits of this rule could best be achieved through **certification by customers** that each of their special access lines carries more than a *de minimis* amount of interstate traffic.”\*\*
- The FCC has defined internet traffic to carry more than 10% interstate

*\*In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-157, 12 FCC Rcd 8776, ¶ 778 (1997).*

*\*\*MTS and WATS Market Structure, Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, CC Dockets Nos. 78-72 and 80-286, Recommended Decision and Order, 4 FCC Rcd 1352 (¶ 3) (1989).*

## Mobile Service Safe Harbor

The FCC provides the following safe harbor percentages of interstate revenues associated with Line 309, Line 409, and Line 410:

- 37.1% of cellular and broadband PCS telecommunications revenues
- 12.0% of paging revenues
- 1.0% of analog SMR dispatch revenues

Report this % of total revenues as interstate revenue and the FCC will not find it necessary to review or question the data underlying the reported percentages.

## Interconnected VoIP Safe Harbor

The FCC provides the following safe harbor percentages of **interstate revenues** associated with:

- Carriers Carrier VoIP (Line 303.2)
- Local service via VoIP in conjunction with Broadband connection or not (Line 404.4 , 404.5)
- Separately billed long distance using VoIP ( Line 414.2)
- **64.9%** of interconnected VoIP telecommunications revenues

Report this % of total revenues as **interstate** revenue and the FCC will not find it necessary to review or question the data underlying the reported percentages.

## Use of Safe Harbor

- These safe harbor percentages may not be applied to universal service pass-through charges, fixed local service revenues, or toll-service charges. All filers **must report the actual amount of interstate and international revenues for these services.**
- All **affiliated** providers ... **must make a single election, each quarter**, whether to report actual revenues or to use the current safe harbor within the same safe harbor category

## Use of Safe Harbor

- Filers **should use the same methodology** (traffic study or safe harbor) to report interstate and international jurisdictions **on the FCC Form 499-A as used on the FCC Forms 499-Q** to forecast revenue in each quarter of the applicable calendar year.
- Submit Traffic Studies to the FCC and USAC

## Subscriber Line Charges

- Line 405 should include charges to end users specified in access tariffs, such as tariffed subscriber line charges (SLCs), Access Recovery Charges (ARCs), and Primary Interexchange Carrier Charges (PICCs)
- Federal SLC are to be reported as 100% interstate

## Subscriber Line Charges (SLCs)

- Non-incumbents are not required to assess a non-traffic sensitive charge for the costs of providing interstate or interstate access service from their customers through a separately stated end user charge.
- To the extent non-incumbent contributors choose to assess SLC, they should report such revenues on Line 405 and allocate those revenues to the interstate jurisdiction, in a manner that is consistent with their supporting books of account and records.

## Long Distance

USAC will seek an explanation when:

- The current year reported interstate and international revenues changed significantly from prior filings
- Or when the % of interstate and international revenues are very low.
- Changes in LIRE status

## Local

USAC will seek an explanation when:

- Reported Local/Long Distance bundled revenues on Lines 404.1 and 404.2 but have reported no interstate revenues.
- Or when the % of interstate and international revenues are very high.

## USF Charges

USAC will seek an explanation when:

- The % of interstate revenues is low.
- If the surcharge reported on Line 403 is to recover federal universal service fund costs, the federal figure should be reported as either interstate (d) or international (e), as appropriate. Column (a) = includes state + federal USF surcharge revenues collected.

## USF Charges

USAC will seek an explanation when:

- The % Federal USF revenue as compared to total End-User revenue is very high.
- If a contributor chooses to recover its federal universal service contribution costs through **a line item** on a customer's bill the amount of the federal universal service line-item charge **may not exceed** the interstate telecommunications portion of that customer's bill times the relevant contribution factor.

## What is non-telecommunications revenue?

**Line 418** – For example:

- Information services offering a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information via telecommunications are not included in the universal service or other fund contribution bases
- Published directory services, billing and collection services, inside wiring, inside wiring maintenance insurance, pole attachments, open video systems (OVS), cable leased access, cable service, and direct broadcast satellite (DBS) service

## What is non-telecommunications revenue? (cont.)

**Line 418** – For example:

- Revenues from the sale, lease, installation, maintenance, or insurance of customer premises equipment (CPE) and from the sale or lease of transmission facilities, such as dark fiber or bare transponder capacity, that are not provided as part of a telecommunications service or as a UNE
- Late payment charges and charges imposed by the filer for customer checks returned for non-payment
- Telecommunications provided in a foreign country where the traffic does not transit the United States or where the provider is offering service as a foreign carrier, i.e., a carrier licensed in that country.

## Telcom and Non-Telcom Bundles

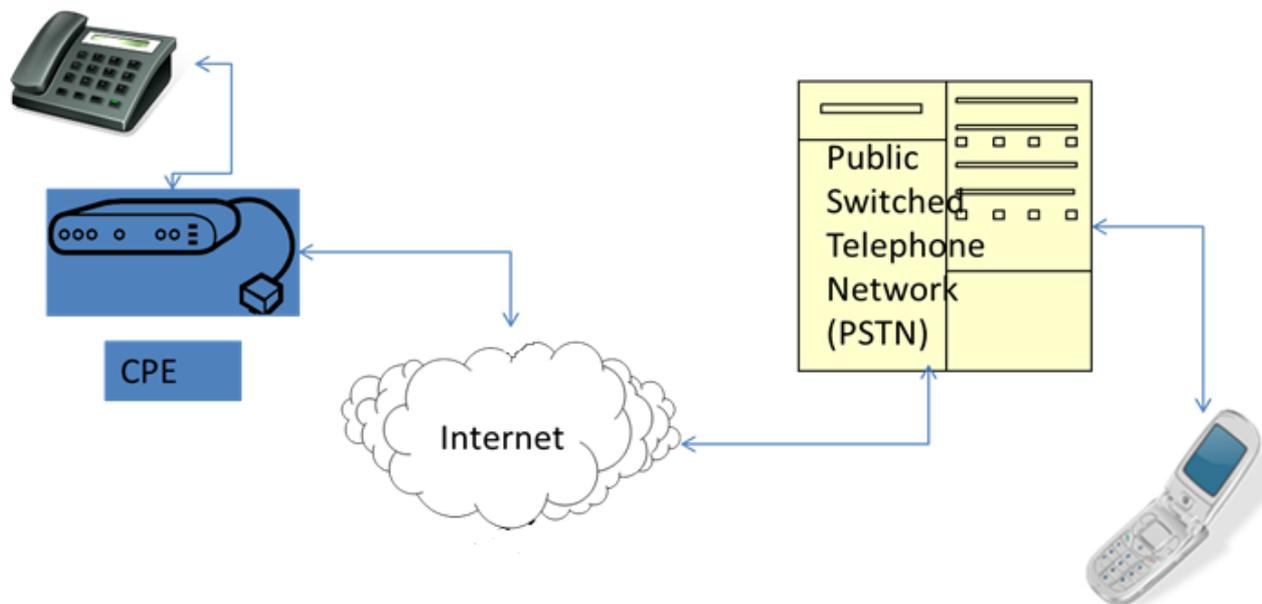
The Commission adopted two “safe harbor” methods for allocating revenue when telecommunications and CPE/enhanced services are offered as a bundled package.

1. The first option is to report revenues from bundled telecommunications and CPE/enhanced service offerings **based on the unbundled service offering prices**, with no discount from the bundled offering being allocated to telecommunications.
2. Alternatively, contributors may elect to **treat all bundled revenues as telecommunications revenues** for purposes of determining their universal service obligations.”

**Note:** Filers may choose to use allocation methods other than the two described above. Filers should realize, however, that any other allocation method may not be considered reasonable and will be evaluated on a case-by-case basis in an audit or enforcement context.

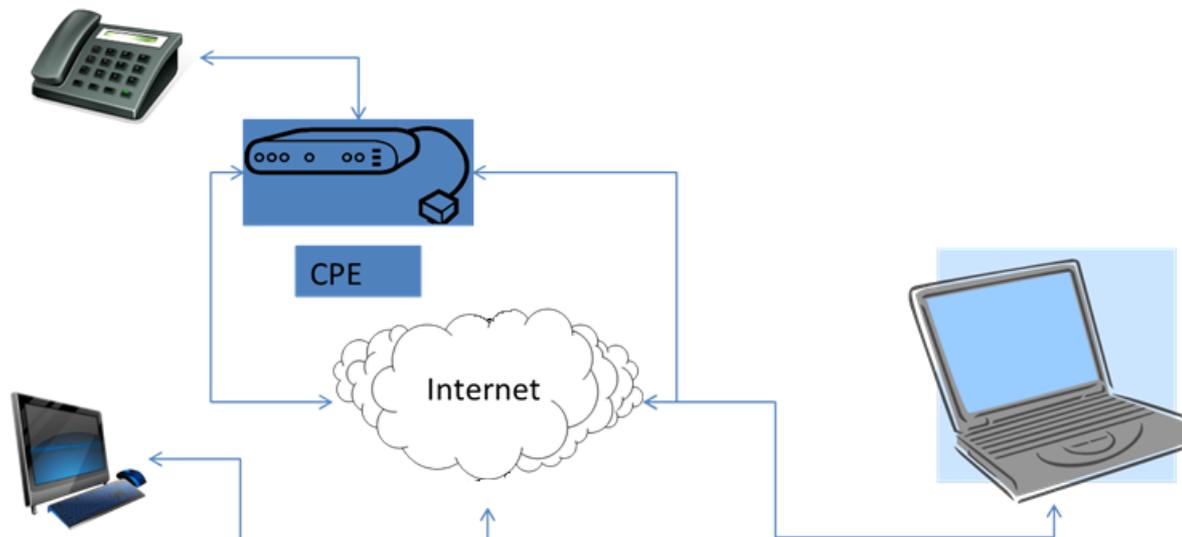
## Interconnected VoIP

A service that (1) enables real-time, two-way voice communications, (2) requires a broadband connection from the user's location, (3) requires Internet protocol compatible customer premises equipment (CPE), and (4) permits users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network.



## Non-Interconnected VoIP

A service that (1) enables real-time voice communications that originate from or terminate to the user's location using Internet protocol or any successor protocol and, (2) requires Internet protocol compatible customer premises equipment, and (3) is not an interconnected VoIP service.



This service is not exempt from contributing to Telecommunications Relay Service (TRS) and is reported on Line 418 columns a, d and e.

## Non-Telecommunications Revenue: *TRS Contributions Order*

For TRS purposes, “providers of non-interconnected VoIP services that are offered with other (non-VoIP) services that generate end-user revenues [are required] to allocate a portion of those end-user revenues to the non-interconnected VoIP service in two circumstances:

1. When those providers also offer the non-interconnected VoIP service on a stand-alone basis for a fee; or
2. When those providers also offer the other (non-VoIP) services without the non-interconnected VoIP service feature at a different (discounted) price.”

*See 2011 TRS Contributions Order, 26 FCC Rcd at 14538-39, para. 15.* For example, a video gaming service may integrate chat functions that utilize non-interconnected VoIP services, but use of such functions may not be readily identifiable or separable from the gaming service components. *Id.*, 26 FCC Rcd at 14538-41, paras. 15-17.

## Bad Debt (*Lines 421 and 422*)

USAC will seek an explanation when:

- When the % Bad Debt as compared to total revenue is very high.
- Or when the allocation of bad debt to the filer's assessable revenue is not proportional to filer's allocation of total revenues to assessable revenues

## Reseller Revenue on Line 511

USAC will seek an explanation when:

- The % of revenue reported on Line 511 is high as compared to total end user revenues.
- Revenues from resellers that do not contribute to universal service support mechanisms are included on Line 420 but may be excluded from a filer's TRS, NANPA, LNP, and FCC interstate telephone service provider regulatory fee contribution bases when reported on Line 511.
- You must have the 499 Filer ID for each reseller whose revenues you report here.

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**Avoid Common  
Findings**

## Historical Revenues

USAC will send you a notification when:

- The historical actual revenue reported on Lines 114, 115, and 117 are not consistent with the how the revenues were reported on your last FCC Form 499-A.
- The forecasted revenues on Lines 119 and 120 are not consistent to the historical revenues reported on Line 116.

**Questions?**

**Thank You!**

## For more assistance:

- ✓ USAC has set up a special Hotline at **(866) 411-8722** to answer any FCC Form 499 questions; this Hotline will be available until April 3, 2015.
- ✓ Submit an email to [Form499@usac.org](mailto:Form499@usac.org).
- ✓ Visit our newly redesigned website:  
<http://usac.org/cont/>