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### 2nd Quarter 2017

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**Revenue Reporting**

*Report Revenues on FCC Form 499-Q by May 1, 2017*

Each quarter, all telecommunications carriers and all interconnected VoIP providers that are not *de minimis* and thus required to contribute directly to the Universal Service Fund must file the [FCC Form 499-Q](https://www.usac.org) (Telecommunications Reporting Worksheet) with USAC.

The FCC Form 499-Q is used to collect carrier revenue information and to determine the carrier’s universal service contribution obligation for the upcoming quarter.

**AT THE FCC**

**10% Rule for USF Contributions on Private Lines**

On Thursday, March 30, 2017, the FCC released an Order (DA 17-309) on the 10% rule for USF contributions on private lines. The FCC’s Wireline Bureau agreed that USAC correctly applied the 10% rule, but has remanded the six appeals to USAC for further consideration.

**2nd Quarter 2017 Contribution Factor Increased to 17.4 Percent**

The FCC released a Public Notice (DA 17-245) announcing that the proposed universal service contribution factor for the second quarter (April-June)
Universal service contributors with access to the internet must submit their FCC Form 499-Q using E-File. Users can pull up historical forms, edit and submit changes, and certify online.

If you have questions about the revenue you are reporting on your form, or the dates listed here, call USAC's Customer Operations team at (888) 641-8722.

| Revenue data you will provide on the May FCC Form 499-Q | Actual billed revenue from January 1 – March 31, 2017, on lines 115-118
| | Projected billed and collected revenue from July 1 – September 30, 2017, on lines 119-120
| May FCC Form 499-Q revision deadline | June 15, 2017

| Resulting USAC invoices | Invoices issued in July, August, and September 2017*
| | Payments due in August, September, and October 2017
| | *Based on the July 1 – September 30, 2017, projected revenue reported

The Bottom Line: Audit Tips

Reporting International Private Line Revenue on Lines 415 & 312

International private line is a dedicated transmission of information between the U.S. and any foreign point including transmission by submarine or terrestrial cable, satellite, wire, or radio. When you report revenue from international private line services, you should include all components (including any U.S. circuits) used by your company to connect a U.S. location with a foreign location.

Example 1:


To provide the connection, BASIC Telephone uses two circuits:

- A private line circuit to connect ACME Bank in Baltimore to BASIC’s switch in New York, U.S.
- A submarine cable that connects New York to ACME Bank’s headquarters in London.

In this example, since the international private line is constructed of two circuits provided by the same company, BASIC Telephone should combine the revenue and can either report it on Line 415, as 100% international, or on Line 418.3, as foreign revenues. This is true even if they bill ACME Bank for the circuits as separate line items in their invoice.

Example 2:

ACME Bank uses two different providers to make the connection.
• FIRST Telephone provides the private line circuit to connect ACME Bank in Baltimore, U.S., to BASIC Telephone’s switch in New York, U.S.
• BASIC Telephone provides the submarine cable that connects from BASIC Telephone’s switch in New York to ACME Bank’s headquarters in London, England.

In this example, two separate companies are used to provide the end-to-end circuit by providing two separate services. FIRST Telephone would report its revenue as 100% interstate on Line 415. BASIC Telephone would have to split reporting the submarine cable service revenue between Lines 415 and 418.3 based on the circuit’s theoretical midpoint.

For international private line services provided between the U.S. and a foreign country, U.S. providers must use Line 415 to report revenue from the U.S. portion of the circuit to the theoretical midpoint of the circuit regardless of whether such revenue was billed to the customer by the reporting carrier or by a partner carrier in a foreign point.

The word “midpoint” typically results in a carrier reporting 50% of the U.S. circuit’s revenue as international on Line 415 and 50% as foreign on Line 418.3. While this reporting is typical, it is possible for a carrier’s U.S. portion of the circuit to not be 50% of the circuit’s revenues. USAC has seen carriers provide additional analysis to justify reporting the U.S. portion as less than 50%.

**Did You Know**

**Double USF Payments**

If you have contributed to the Universal Service Fund (USF) for a given period twice, once to your underlying carrier and once to USAC, you have two methods to receive credits.

**Method 1 – Open Filing Period**

If the FCC Form 499-A filing period that you made double contributions for is still open, notify your underlying carrier that you are a direct USF contributor for that period. The underlying carrier can then file or refile its FCC Form 499-A, reporting the revenues from your company as a reseller in Block 3. USAC will use the new/revised FCC Form 499-A filing to give the underlying carrier a credit, which they then should pass along to your company.

**Method 2 – Closed Filing Period**

If the FCC Form 499-A for the period of double contributions is in the past (reporting calendar year 2015 or prior) OR if the underlying carrier refuses to give you a credit, then you can use this new method to obtain a credit from USAC.

On January 13, 2017, the FCC released [FCC Order 17-66](https://www.fcc.gov/document/fcc-order-17-66) that provides a remedy to resellers for USF contributions that they paid to their underlying providers. In order for USAC to find a reseller eligible for this remedy, the reseller must demonstrate by preponderance of evidence that the underlying carrier (i.e. wholesale provider) has contributed on the amounts at issue.

As noted in the order, the reseller is responsible for providing USAC with proof that its underlying carrier contributed to the USF on revenues from the telecommunications services that the reseller sold. Such evidence should include:

• A sworn affidavit from the underlying carrier’s certifying officer attesting that they have submitted the amount of USF surcharges on behalf of the reseller. This affidavit must include the underlying carrier’s filer number and the year of the FCC Form 499-A that they included the USF surcharges on.
• Invoices or other evidence of the services that the underlying carrier billed the reseller for or the amounts that the reseller paid to the underlying carrier. This evidence should outline the
USF surcharges billed and the time period covered.

If you believe you may have made duplicate payments to the USF, please email USAC.

**De Minimis Exemption**

The FCC’s *de minimis rules* provide a contribution exemption for companies whose annual universal service contribution is less than $10,000.

For calendar year 2016:

Filers that report less than $66,089.57 of combined interstate and international revenues on Line 423, columns (d) and (e) of the 2017 FCC Form 499-A will be considered *de minimis* for 2016. This is not an estimate; all of the contribution factors for calendar year 2016 are final.

For calendar year 2017:

The FCC predicts that carriers with less than $56,023 of annual interstate and international revenues earned in 2017 will be *de minimis*. This is an estimate and will not be finalized until all of the contribution factors for calendar year 2017 are final.

If a company no longer meets the requirements of the *de minimis* exemption, it should prepare an [FCC Form 499-Q](#) filing for submission to USAC and notify its underlying providers that it will be contributing directly to the USF in the coming year.

If a company, however, continues to meet the requirements of this exemption, it should email USAC to confirm the company’s continuing *de minimis* status each quarter and notify its underlying providers that it is not contributing directly to the USF. This allows USAC to treat the company as an end user when the underlying provider files FCC Form 499-A.

The *de minimis* exemption is applicable to universal service support only and does not affect a company’s contribution obligations for Local Number Portability (LNP), North American Numbering Plan (NANP), or Telecommunications Relay Service (TRS).

Visit the [De Minimis page](#) on our website for an in depth discussion on this topic.

**Revisions and Changes to Revenue Reporting on the 2017 FCC Form 499-A**

You have successfully navigated the annual FCC Form 499-A filing requirement! What happens next?

Shortly after the April 1 deadline, automated programs run through the submitted forms and do standard checks to ensure that lines are filled out accordingly on each form. If the form is flagged, a USAC analyst will review the form. USAC may contact the filer if there are additional questions that require further conversation.

Filers are allowed to revise their forms at any time during the year. But note that changing your contribution revenue may cause a change in the amount of USF support you are responsible for contributing. In other words, your monthly statements could change.

If you have any questions about this process, or already know you need to submit a revision, be sure to contact USAC right away.