Did You Know?

Report Revenues on FCC Form 499-Q by February 1, 2019

Each quarter, all telecommunications carriers and interconnected VoIP providers that are not de minimis are required to contribute directly to the Universal Service Fund and must file the FCC Form 499-Q (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.

Revenue data is reported on the February FCC Form 499-Q. Revisions to this form are due by March 19, 2019.

- Actual billed revenue (lines 115-118): October 1 – December 31, 2018
- Projected end-user revenue (lines 119 & 120): April 1 – June 30, 2019

NOTE! De minimis carriers do not need to complete FCC Form 499-Q but should notify USAC that the carrier remains de minimis for the quarter. Send email to Form499@usac.org.
Visit the *De Minimis page* on the USAC website to find out if your company qualifies as *de minimis*.

For questions about the revenue you are reporting on your form, call USAC's Customer Operations team at (888) 641-8722, Option 4.

**Bottom Line: Reporting Your Reseller Revenues**

**FCC Form 499-A and Form 499-Q**

Beginning in December 2018, USAC has provided a Reseller Certificate template on its website for companies to use. Previously, filers designed their own certificates based on the information outlined in the FCC Form 499-A instructions. A recap of the entire process follows.

The FCC has defined a "reseller" as a telecommunications carrier or telecommunications provider that:
(a) incorporates purchased telecommunications into its own offerings; and
(b) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from those offerings.

Specifically, to report revenues as reseller revenue in Block 3 of the FCC Form 499-A, the customer must be:
1. Purchasing service(s) for resale, at least in part, and incorporating the purchased services into its own offerings which are, at least in part, assessable U.S. telecommunications or interconnected VoIP service; and
2. Either directly contributing or have 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 revenue from offerings that incorporate the purchased services.

Each of the following conditions must be met if a filer intends to report its revenues from other carriers as reseller revenue in Block 3 and, therefore, have that revenue exempt from its universal service contribution base:

**First Condition**
The first condition states that the customer is incorporating at least a part of the service that it is purchasing into its own telecommunications offering.

*Example 1*
If a customer purchases a T1 circuit, it will meet the first part of the definition if it is using at least part of the circuit for voice or other assessable telecommunications services.

It will not meet the first part of the definition, however, if it is using 100% of the circuit for internal purposes or reselling it as internet or part of an enhanced product.

In this example, the same reseller customer can be treated as both a reseller and an end user, depending on the purpose of the circuits that it is purchasing.

**Second Condition**
The second condition states that either the customer or another entity in the downstream chain of resellers directly contributes on the revenues for that service. This difference is crucial, because the FCC requires a wholesaler to collect the USF fees from a reseller of its services if that reseller is *de minimis*.

*Example 2*
If the same customer purchases another T1 circuit but is not a direct contributor, then it will not meet the second part of the definition. All services purchased by the customer, even the
services resold as 100% telecommunications, must be reported as end-user revenue in Block 4 of the form.

**Procedure**
The filer must demonstrate that it has a reasonable expectation that the revenues it reports as reseller revenue are for services that meet both parts of the definition. This process must be repeated every year. The FCC has provided a safe harbor procedure in the FCC Form 499 instructions, specifying the following requirements:

1. Filers must have, at a minimum, the following information about resellers:
   - 499 Filer ID
   - Legal name
   - Legal address
   - Name of contact person
   - Phone number of contact person
   - Annual certification by the reseller regarding its reseller status.

2. Annual Certificates. A filer may demonstrate that it had and has a reasonable expectation that a particular customer is a reseller with respect to purchased service(s) by providing a certificate signed each calendar year by the customer that:
   - specifies which services the customer is or is not purchasing for resale pursuant to the certificate; and
   - has wording consistent with the following language, which comes from the 2018 instructions, pages 37 – 38:
     
     *I certify under penalty of perjury that the company is purchasing service(s) for resale, at least in part, and that the company is incorporating the purchased services into its own offerings which are, at least in part, assessable U.S. telecommunications or interconnected Voice over Internet Protocol services. I also certify under penalty of perjury that 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.*

If a company is audited, USAC will expect to see these certification documents. Filers should keep them on file for at least 5 years. If a filer is missing certificates for companies it reported as resellers with revenue reported in Block 3, that revenue will be moved to Block 4, and the company will be reclassified as an end user.

**Common Audit Findings**
1. **No Filer ID** – One of our most common audit findings is that the carrier does not have a Filer ID. Since a Filer ID is essential to filing an FCC Form 499, a filer cannot credibly establish that the customer is a direct USF contributor if that customer is not filing the FCC Form 499.

2. **Certification is not service specific** – The 2015 FCC Form 499-A was the first form for which reseller certificates had to identify the specific services that were being resold (at least in part) as applicable telecommunication services. USAC’s review of filers’ certificates shows that many filers have not updated their certificates to be service-specific. The [FCC Form 499-A instructions](#), provides examples of how to submit service-specific certificates:

   - **Entity-Level**: all services purchased by the customer are or will be purchased for resale pursuant to the certificate;
   - **Account-Level**: all services associated with a particular billing account -- the account number for which the customer shall specify -- are or will be purchased for resale pursuant to the certificate;
   - **Service-Specific**: individual services specified by the customer are or will be purchased for resale pursuant to certification; or
• **Exception-Specific**: all services except those specified either individually or as associated with a particular billing account, are or will be purchased for resale pursuant to the certificate. The certificate shall specify the account number(s) of specific customers included in the exception.

3. The certificate is not for the specific time period – all certificates should be obtained on an annual basis. Certificates must state the calendar year that the certificate covers and must be signed before the filer submits the FCC Form 499-A.

**Learn More**
For a complete listing of common audit findings, please bookmark the [Beneficiary and Contributor Audit Program page](#) which outlines specific contributor related revenue reporting issues that occur on the FCC Form 499-A and how to address the issue in order to avoid any mistakes.

**Annual FCC Form 499-A Training**

Each year, all intrastate, interstate, and international providers of telecommunications services, including *de minimis* filers, are required to file the FCC Form 499-A by April 1, 2019.

Webinar topics, along with dates and sign up links can be found on our [Trainings and Outreach page](#).

Be sure to sign up for the webinar that interests you.

**E-File Software Updates**

**Available Now! Online Payment Details**

Filers will see some new payment functionality in E-File beginning in December 2018. Authorized users will now be able to see a complete list of all payments or a list of the summary monthly invoices directly from within the payment module. To view these details, from the main payment screen, click on the filer name. The system will take the user to a screen that provides a list of payments that includes a status description, date paid, and the amount paid. The list of invoice summaries can be viewed by selecting the item ‘Invoices’ from this page. As in the past, the user will only see a .pdf of the first page summary of each monthly bill.

In addition to these enhancements, users will easily switch between authorized companies within the payment system. At the top of each screen, a drop down box will allow the user to select which filer they wish to navigate to.

**New in 2019: Abridged Online Form 499-A Filing**

USAC has added an option for experienced users to remove the guiding questions when completing the annual filing of the FCC Form 499-A. Beginning in January 2019, filers that wish to bypass the language guiding the filer to determine where to report revenues on the FCC Form 499-A can select an option on their E-File user profile.

From the left hand navigation ‘Information Center’, select ‘Edit User Profile’, under ‘499 User Settings’ click on the box next to ‘Suppress Questions on 499-A Filings’ to turn off the language prompting.

**Keep in mind!** The 2019 FCC Form 499-A will not be available until March 1, 2019.

While you’re on the Profile page, verify that all of the email notifications are marked to your preference. You can manage the following preferences:

- 499 Form status, issues, and missed deadlines
498 ID E-File Updates

Training Videos

In response to questions USAC received about the process for setting up a new 498 ID, we updated our training video outlining the steps required for requesting a new 498 ID.

All of our training videos along with recordings of training webinars can be found in our Online Learning Library. Most videos are less than 5 minutes long and cover some of our most frequently asked questions!

New Functionality for 498 ID Merger/Consolidation Requests

In December 2018, USAC introduced new functionality allowing service providers that need to merge or consolidate their 498 IDs to initiate this change through E-File. USAC added a button in the 498 ID management screen that will guide the user through providing information required to merge or consolidate 498 IDs. Once the information is completed online, the company officer must certify the changes and submit to USAC for review. Look for a training video to be posted in our Online Learning Library soon!

Rural LEC Broadband Order

On June 7, 2018, the Federal Communications Commission (FCC) granted a petition for forbearance waiving the requirement for small, rural carriers to contribute to the Universal Service Fund (USF) on their broadband Internet access transmission service revenues provided on a common carrier basis.

Under prior rules and unlike all other Internet Service Providers (ISPs), certain small, rural “rate-of-return” providers were required to pay into the FCC’s USF fees on the revenues they earn from broadband Internet access transmission service. This order eliminates disparities in the USF contribution requirements imposed on those rural LECs that choose to provide broadband Internet access transmission services on a common carriage basis. The relief the FCC adopted is intended to make broadband service more affordable for these carriers’ customers in rural America and level the playing field among all ISPs.

The forbearance became effective on July 3, 2018. This means that after July 3, 2018, LECs that meet the FCC requirements to be considered a rural common carrier will no longer need to include revenues from their broadband Internet access transmission service on Line 406 of their 2019 FCC Form 499-A, but can report the Internet Access Fee as well as the transmission fee on Line 418, as non- telecommunications.

Please note:

- Broadband revenues received before July 3, 2018 are still subject to USF contribution requirements and will need to be reported as telecommunications on line 406 (as 100% interstate) on the 2019 FCC Form 499A.
- Any company that assessed a USF charge to customers on their broadband revenues not classified as telecommunications on their 2019 FCC Form 499A should refund the USF charge to their customers.
Access circuits that are used for both voice and data are still subject to the FCC unbundling order and the portion of revenues for the circuit associated with voice still must be reported as telecommunications on the FCC Form 499A.