



Universal Service
Administrative Co.

USAC

498/499 Spotlight: First Quarter 2023

January 18, 2023

Topics included in this newsletter:

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- [FCC 2023 Form 499-A is due April 1, 2023](#)
- [Reporting Non-Universal Service Appropriated Funds](#)
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Report Projected Revenues on FCC Form 499-Q by February 1, 2023

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 filer revenue information and to determine the filer's universal service contribution obligation for the upcoming quarter. Contributors are reminded that their projected quarterly revenues reported on the FCC Form 499-Q determine their monthly invoices from USAC.

When a filer's projected interstate and international end-user telecommunications revenue projections are less than **\$9,765 in the upcoming quarter**, the filer is de minimis, and not obligated to file the 499-Q, nor pay universal service contributions directly to USAC. Likewise, for calendar year 2023 the de minimis threshold is **\$39,062 for annual** end user interstate and international telecommunication revenue. This threshold amount will remain constant for all of 2023.

Service providers that expect to remain de minimis for the second quarter 2023 should notify USAC. Send the notification email to Form499@usac.org.

Revenue data is reported on the February FCC Form 499-Q as follows:

- Actual billed revenue from October 1 – December 31, 2022 on lines 115-118.
- Projected end-user revenue for April 1 – June 30, 2023 on lines 119 and 120.
 - Line 119 is used to estimate the company's gross billed end-user interstate and international telecommunications revenues for the upcoming quarter.
 - Line 120 is used to report how much of the revenue reported on Line 119 the company expects to collect.
 - Remember! This revenue represents only end-user telecommunications revenues. Do not estimate any wholesale/carrier's carrier revenues nor non-telecommunications revenues on these line

Be sure your email system allows messages from 'Form499@usac.org'. Once you've submitted your FCC Form 499-Q, USAC will check it for substantial increases or decreases and notify you via email of the variation, giving you a chance to correct the form before the revision deadline of March 20, 2023.

2023 FCC Form 499-A Is Due April 1, 2023

The Federal Communications Commission (FCC) requires all telecommunications carriers and providers of telecommunications (including Voice-over-Internet-Protocol (VoIP) service providers) to annually report on the Telecommunications Reporting Worksheet (i.e., Form 499-A) the revenues they receive from offering service.

The 2023 FCC Form 499-A will report actual earned revenues for calendar year 2022.

The FCC Form 499-A will be available in E-File for data entry purposes on March 1, 2023.

Reporting Non-Universal Service Appropriated Funds

The 2023 FCC Form 499-A instructions state that revenue from certain appropriated funds is to be reported on line 308. Funds that are not universal service support will be reported in column (a) total, and federal universal service support funds are reported in column (d) interstate.

Please refer to instructions for Line 308 found on page 29 of the [2023 FCC Form 499-A Instructions](#).

Line 308 Universal Service and Similar Support Amounts Received from Federal or State Government Sources

- Any amounts that filers receive as universal service support from either states or the federal government.
 - Filers may include the following as revenues on Line 308:
 - Lifeline and Link Up reimbursement from the Fund;
 - High Cost universal service support from the Fund;
 - Subsidy amounts for discounted services provided to schools, libraries, and rural healthcare providers. This includes (1) revenue received directly from the Fund and (2) revenue received from a school, library, or rural healthcare provider to the extent such revenue is attributable to universal service subsidy amounts paid to the school, library, or rural healthcare provider.
 - Include amounts received as cash as well as amounts received as credit against contribution obligations.
- Any non-universal service support amounts that filers receive as support from either the states or federal government.
 - Filers may include as revenues on Line 308:
 - Subsidy amounts from the Emergency Connectivity Fund, Emergency Broadband Benefit Program, and the COVID-19 Telehealth Program.”

How to Avoid Common Audit Findings

In USAC's continuing efforts to ensure carriers are successful at following FCC rules, we have put together a list of some of the most common problem areas identified during audits. Please see our webpage: [Common Audit Findings: Contributors](#)

Appeals & Audits

Appeals

Beneficiary and Contributor Audit Program (BCAP)

Beneficiary and Contributor Audit Program (BCAP)

Contributors

High Cost Program

Lifeline Program

Rural Health Care Program

E-rate Program

RCA Program

Common Audit Findings: Contributors

In USAC's continuing efforts to ensure carriers are successful at following FCC rules, we have put together a list of some of the most common problem areas identified during audits.

For more information about the audit process, review the BCAP page of our website, which includes a checklist of documentation contributors should maintain for audit purposes. Using all of this information will help to expedite the audit process and should reduce or eliminate audit findings in the future.

Audit Findings

For specific areas of revenue reporting on the FCC Form 499-A, we have outlined a description of the revenue reported, some common audit findings, and ways to prevent a finding like this in the future:

Show All

FINDING: Error in Categorizing Fixed Local/Long Distance Bundled Service Revenue on Lines 404.1 & 404.2

FINDING: Failure to Report Itemized State and Federal USF Surcharges as Revenue

Most Common Audit Findings for Calendar Year 2021

- Error in Categorizing Fixed Local/Long Distance Bundled Service Revenue
- Improper Revenue Reporting on FCC Form 499-A Line 418

Error in Categorizing Fixed Local/Long Distance Bundled Service Revenue on Lines 404.1 and 404.2

Three main causes include:

- Filers incorrectly report the local service portion of revenue from the service plans that include interstate calling as part of the flat monthly fee on Line 404.3 of FCC Form 499-A.
- Conversely, filers incorrectly report the long distance portion of revenue from such local exchange service plans on Line 414.1 of FCC Form 499-A as separately stated/itemized toll charges.
- Filers that do not have records/documentation or rely on outdated information to (1) determine the amount of revenue generated from the local service portion of revenues from local exchange service plans that include interstate calling as part of the flat monthly fee, (2) determine the amount of revenue from the toll portion of the local exchange service plan, and (3) determine the jurisdiction associated with the toll calling portion of the plan.

Filers should take the following steps when reporting local exchange service plans (other than interconnected VoIP plans) that include interstate calling as part of the flat monthly fee:

- Develop a process for determining the revenue and jurisdiction for the local and long distance portions of the plans that uses data specific for that year,
- Maintain any documentation or information used to derive these amounts, and
- Implement procedures to review the form prior to submission to ensure it accurately reports revenues from local exchange service on the correct lines of the form.

End User Fixed Local Service/Long Distance Bundled Revenue Reporting Lines

Line 404.1: Local service portion of revenues from local exchange service plans (other than interconnected VoIP plans) that include interstate calling as part of the flat monthly fee.

Line 404.2: Toll portion of revenues from local exchange service plans (other than interconnected VoIP plans) that include interstate calling as part of the flat monthly fee. (Note: if the revenue from the toll portion of such service is attributed to an affiliate, that affiliate must report such revenues on Line 404.2, not on Line 414).

Never include federally tariffed Subscriber Line Charge (SLC) and Pre-subscribed Interexchange Carrier Charge (PICC) charges in Lines 404.1 and 404.2.

Improper Revenue Reporting on FCC Form 499-A Lines 418.1, 418.2, 418.3, and 418.4

A misconception for reporting revenue on Line 418.3 is for the filer's process to map revenue to all other form lines, and then subtract the mapped revenue from the total revenue reported on Line 419. The difference is then recorded on Line 418.3.

Such a process is not reasonable as the filer is not performing an analysis to ensure all revenues recorded on Line 418.3 represent other non-telecommunication revenue. To be clear, filers should maintain documentation and methodologies utilized for the categorization of revenue for all of their products and services.

How to Address or Prevent this Finding: All non-telecommunications service revenues appearing on the filer's general ledger, as well as some revenues that are derived from telecommunications-related functions will be reported in categories on Line 418. These revenues are not included in the Universal Service Fund (USF) contribution base that are totaled on Line 420. There are four different lines to report non-telecommunications revenue on. A brief description follows:

- Line 418.1: Non-telecommunications services bundled with circuit switched exchange access service. Revenues from non-telecommunications goods or services that are bundled with U.S. wireline or wireless circuit switched exchange access services are reported on line 418.1. In all cases, these revenues must be based on some reasonable allocation method.
- Line 418.2: Non-telecommunications services bundled with interconnected VoIP local exchange service. Revenues from non-telecommunications goods or services that are bundled with U.S. interconnected VoIP service are reported on line 418.2. Like the revenue reported on line 418.1, these revenues must be based on some reasonable allocation method
- Line 418.3: If the service is not bundled with a telecommunications or interconnected VoIP service offering, then it will be reported on this line. Easy examples of this would be revenues from construction services and revenues from installation. This line also includes broadband internet access service subject to forbearance and broadband transmission service provided on a non-common carrier basis to a broadband internet access provider.
- Line 418.4: Non-interconnected VoIP revenues not included in any other category. Revenues reported on line 418.4 should include non-interconnected VoIP revenues that aren't included in any other category. These revenues are included in the telecommunications relay services (TRS) contribution base only.

E-File Tips

Service providers with access to E-File can download a spreadsheet providing details of their monthly invoice history. To do this, log in to E-File, select 'Payments', in the 'Select Payment View' box select 'Invoice History' and then enter the dates you want the history. An Excel spreadsheet will be generated providing a monthly outline of invoices and payments.

Training Announcements

The FCC Form 499 team hosts training webinars each quarter. Registration is required; visit the [Webinars](#) page to register. All times are in Eastern.

- New Filer ID Basics – February 1, 2023 at 2 p.m.
- Office Hours: Changes in the 2023 FCC Form 499-A – February 2, 2023 at 2 p.m.
- 2023 FCC Form 499-A: Getting Started – February 7, 2023 at 2 p.m.
- 2023 FCC Form 499-A: Wireline and Wireless Providers – February 8, 2023 at 2 p.m.
- 2023 FCC Form 499-A: VoIP Providers and Resellers – February 9, 2023 at 2 p.m.

- New 499 Filer ID Basics Training – March 1, 2023 at 2 p.m.
- Office Hours: Access to E-File – March 2, 2023 at 2 p.m.

First Quarter 2023 Contribution Factor Increases to 32.6 Percent

The FCC released a Public Notice: [DA 22-1286](#) announcing that the universal service contribution factor (January –March) of 2023 will be .326 or 32.6 percent.

Need Help? Contact Us!

For questions about the Service Providers program, call (888) 641-8722 or email customersupport@usac.org.

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