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Guide to Charges on Your Local Phone Bill

Federal Access Charge. The Federal Communications Commission (FCC) authorizes local telephone companies to assess customers this charge to help cover the cost of providing service. The charge is also known as the subscriber line charge. The maximum amount of the charge depends on whether the line is a primary residential line, secondary residential line, single-line business line, or multiple-line business line. The charge has nothing to do with the number or type of calls a customer places or receives. It is capped and regulated by the FCC, not the state public service commissions, and is collected by and for local telephone companies.

Federal Universal Service Fund. The FCC requires all telecommunications companies - including long distance companies, local telephone companies, wireless telephone companies, paging companies, and certain Voice over Internet Protocol providers - to contribute to the Federal Universal Service Fund based on a percentage (updated quarterly) of their interstate and international end-user telecommunications revenues. The money is used to provide discounts to qualifying low-income consumers, to provide financial support to companies providing service in high-cost areas, and to provide discounts for enhanced services to schools, libraries and rural health care providers. The carriers are allowed to pass along their Universal Service Fund expenses to their customers. Some choose to assess a flat monthly fee, while some use a percentage of charges. If a company chooses to assess the fee on a percentage of charges, it will typically be assessed on the Federal Access Charge and any switching fees for a local bill; and all interstate and international charges on a long distance bill. More information about the Federal Universal Service Fund can be viewed at the FCC website.

Federal Excise Tax. This tax is 3% of most charges on your local telephone bill, including the Federal Access Charge and the Federal Universal Service Fund charge. Charges not subject to regulation by the FCC are not subject to this tax. This tax was originally started in 1898 to pay for the Spanish-American War. Now the proceeds go to the U.S. Treasury as general revenue. For more details on this tax, contact the Internal Revenue Service Excise Tax Branch.

Number Portability Charge. The FCC allows local phone companies to charge customers a fee to recover some of the costs they incur to upgrade their networks to allow customers to keep the same phone number if they change to a new local phone provider. Local telephone companies may continue to assess this charge on customers' telephone bills for a period of five years from the date the company first begins collecting the charge (see 47 C.F.R. § 52.33(a)(1)(iv)). Customers have to pay this fee every month whether they change to a new local carrier or not. More information about the Number Portability can be viewed at the FCC website.

Montana Telecommunications Access Service \$.10 and Montana 911 Emergency Service Fund \$1.00. Both of these charges were implemented by the Montana Legislature. The \$.10 funds the program that provides telecommunications devices and relay services for the deaf and hard-of-hearing and the \$1.00 helps to fund the 911 emergency system.

Montana Telecommunications Excise Tax. This tax is 3.75% of most charges on your local and long distance telephone bills, including the Federal Access Charge. HB128, approved by the 1999 Montana Legislature, reduced telecom property taxes and abolished the telecommunications license tax. It created this excise tax to replace the money lost due to the reduced property tax and elimination of the license tax. This tax is collected by the Montana Dept. of Revenue, Miscellaneous Tax Division. See MCA 15-53-129 for more information.

Extended Area Calling. Some local phone companies have been given approval to expand the local calling area in various exchanges. The company then charges a fee to recover its costs to set up extended area calling as well as to recover its lost long distance revenues resulting from toll calls becoming local calls. This is a per-line charge assessed to customers on flat rate service.

