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Tax Rating Services  
Telecom & Sales Tax Services  
Corporate Income Tax Services  
FCC & State Regulatory Services

 **Wireless**





## Executive Summary

Wireless technology has advanced rapidly and is so widely deployed that many households now use only wireless service as their main way to place and receive phone calls instead of using landline phones. The more the technology advances, so do the available options and regulations to keep everything in check. While wireless or Commercial Mobile Radio Service (CMRS) is regulated by the FCC, the state Commissions are also starting to require regulatory steps ranging from registration to reporting requirements. Keeping track of all these regulatory changes can be challenging. This guide helps you make sense of it and keeps you up to date on what is required, so you can focus on your products and services.

This guide was written to highlight areas of particular interest to CMRS providers. It is not intended to be used in lieu of legal counsel or as the sole basis to determine strategic business decisions. Reporting requirements change quickly and are subject to interpretation. Information contained in this article is based upon current state statutes, state public utility commission rules and orders, current FCC orders, and documentation issued by fund administrators.



Tax Rating Services  
Telecom & Sales Tax Services  
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FCC & State Regulatory Services



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*“I am now offering Wireless to my current clients in addition to my services and bringing in extra income”  
- Happy Provider*

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## Market Advances & Options

The wireless industry has grown from simple phone devices to hand held mini computers that can be used for everything from placing and receiving phone calls to mapping a route to your favorite restaurant. Wireless devices have all but replaced traditional “home” phones and now provide a means for users to carry with them an advanced communications device. Wireless services are also now used to support social engineering programs for low income subscribers, bringing on a range of regulatory requirements. With all the market options available, wireless companies are challenged to match market needs while balancing regulatory mandates.

Regardless of the type of wireless service provide, you have the following primary tasks that must be accomplished in order to run an efficient business:

1. Marketing and sales – winning and retaining an ever changing market share
2. Billing revenues
3. Telecom tax billing and being a collection agency of governments
4. Remitting taxes to governments
5. Treasury management
6. Corporate compliance with governmental requirements
7. Purchasing or leasing facilities from suppliers/underlying carriers
8. Lowering expenses & cost of sales – tax exemption forms

**Marketing & Sales** – The most essential way to stay in business is to exceed your customer's expectations while expanding your market share. The key to retaining market share is creating and maintaining customer loyalty. Where traditional landline phones made market share retention easier to manage because of limited market availability, the wireless market has an ever expanding list of available carriers, features and calling plans. Recent studies show customer retention is one of the wireless industry's main challenges. The National Health Interview Survey shows that the number of American homes with only wireless telephone service continues to grow. Today, over one-third of American homes (35.8%) have only wireless telephones and almost one of every six American homes (15.9%) receives all or most of their calls on wireless phones despite also having a landline telephone. That's approximately 41 million adults and untold numbers of children under the age of 18, who also widely use wireless service today. Retaining customers is essential to maintaining and increasing revenues. The challenge is that recent studies show that 36% of wireless customers in the U.S. said they are considering leaving their mobile carrier within the next year. The focus used to be on acquisition, now the focus must also be on retention.

**Billing Revenues** – A company cannot survive without cash flow. Add to that, the method and cost of customer billing.

**Telecom Tax Billing** – Telecommunications is the industry that the Federal, State, County, City and E911 Boards have chosen to bill taxes to fund their governmental efforts. Since telecommunications is considered progressive and on the cutting edge of technology, it is the industry governmental bodies have chosen. It is imperative that you have a telecom tax engine as there are multiple governmental layers of taxation. It is the single most important element to defend you in a governmental audit of your company. Compliance Solutions can guide you this necessary requirement including providing this service.

**Remitting Taxes to Governments** – Compliance Solutions has some clients that have to remit 2,000+ tax returns per month when factoring in sales tax, communications service tax, Federal USF, E911 Taxes, Right of Way taxes, city taxes, county/parish taxes, business licenses, gross receipts taxes, license taxes, etc. It is imperative in the telecom industry whether or not you are a hobby shop provider of wireless or if wireless is your primary line of business that you have a solution for your telecom tax preparation and remittance.



**Treasury Management** – In all business, cash flow is king. The treasury management of billing/cash inflow, payments to suppliers/underlying carriers, remittance of taxes is imperative. Make sure you have an accounting professional.

**Corporate Compliance with Governmental Regulations** – This area includes registration with the governmental bodies that regulate wireless and other forms of telecommunications. The Federal Communications Commission is the primary governmental agencies that regulate wireless. The role of the FCC is listing in two other sections of this guide. Knowing what is required is essential so that you can avoid \$20,000 fines for noncompliance. Compliance Solutions will guide you through the requirements and handle the ongoing compliance so you can focus on winning and satisfying customers.

Purchasing telecom services from suppliers/underlying carriers –More than any other industry, it is imperative in telecommunications to have a good relationship with your underlying carrier/supplier. This is primarily due to the fact that you cannot complete all wireless calls with cell towers alone. You must also use the Public Switched Telephone Network (PSTN).

The underlying carrier allows you to focus on the customer while they handle the complex aspects of providing a highly technical service. After all, you are providing telecommunications, not plumbing supplies.

Lowering Expenses and Tax Exemption Forms – Lowering expenses increases your cash flow and profitability which allows you to survive as a company in a competitive marketplace.

One way to lower expenses is to select a new underlying carrier that may provide the services to you for less cost. However, one significant area of lowering costs in telecommunications is making sure your underlying carrier does not charge you taxes for items that you are already remitting. Compliance Solutions has a service offering in this area to assist you.

## Market Options

The fastest way to enter the market is to become a reseller. As a reseller you are basically taking advantage of an existing network and infrastructure that is grown and maintained by another company. That company (underlying carrier) is acting as a wholesaler by providing this service to you and you are a carrier customer. This removes an enormous amount of energy required on the technical aspects and allows you to focus on obtaining and maintaining a customer base. However, a reseller is still subject to registration, regulatory compliance, and taxation that must be addressed. The major advantage to becoming a reseller is a fast-track to market entry, a major disadvantage can be smaller profit margins.

## Wireless Service Offerings

### Traditional Wireless Services

Traditional wireless services have come a long way from the initial service of placing and receiving calls on a mobile headset to deployment of smartphone technology. Smartphone technology has brought about an entirely new level of wireless services. Wireless providers offer a range of services from simple texting to internet access and mapping capabilities. Consumers want to do everything possible on their mobile phones so expanded service offerings that take into account service contracts, number of minutes, the ability to roll minutes from one time period to another and advanced computing services make the industry highly competitive. Customers want to have multiple phones on one account and they want to pay the lowest rate with the highest number of program minutes possible.

### Lifeline Wireless Service

Lifeline is part of the Federal Universal Service Fund. Lifeline service began in 1985 to provide discounted phone service for qualifying low-income consumers to ensure that all Americans had access to phone service in order to connect to jobs, family and emergency services. In 2005, Lifeline discounts were extended to pre-paid wireless service plans in addition to traditional landline service. Low-income consumers can obtain one phone per household by either a wireline or wireless service, but not both. The Lifeline program is available to eligible low-income consumers in every state, territory, commonwealth, and on tribal lands. Consumers with proper proof of eligibility may be qualified to enroll. This is said more clearly below.

Consumers qualify for the Lifeline Program if they either have an income that is at or below 135% of the federal Poverty Guidelines or if they participate in one of the following assistance programs:

- Medicaid;
- Supplemental Nutrition Assistance Program (Food Stamps or SNAP);
- Supplemental Security Income (SSI);
- Federal Public House Assistance (Section 8);
- Low-Income Home Energy Assistance Program (LIHEAP);
- Temporary Assistance to Needy Families (TANF);
- National School Lunch Program's Free Lunch Program;
- Bureau of Indian Affairs General Assistance;
- Tribally-Administered Temporary Assistance for Needy Families (TTANF);
- Food Distribution Program on Indian Reservations (FDPIR);
- Head Start Programs (if income eligibility criteria are met); or
- State assistance programs (if applicable).

The Lifeline program is administered by the Universal Service Administrative Company (USAC) under rules set by the FCC. USAC is responsible for data collection and maintenance, support calculation, and disbursement for the low-income program and Lifeline carriers are subject to various eligibility and reporting requirements at both the state and federal level.

Federal rules prohibit eligible low-income consumers from receiving more than one Lifeline discount per household and carriers who are qualified to provide wireless Lifeline service are subject to requirements to annually verify and attest eligibility for their subscribers. Many other regulatory requirements also apply to wireless Lifeline providers from both the FCC and state regulators including, but not limited to:

- Application at federal and state levels to be designated as an Eligible Telecommunications Provider (ETC);
- Periodic eligibility re-certification;
- Periodic verification of subscriber eligibility;
- Monthly, quarterly and annual reporting requirements;
  - Updates to network build-out
  - Ability to function in emergency situations
  - Complaints per 1,000 headsets
  - Deactivations
  - Enrollments
  - Service Outages
  - Unfulfilled service requests



## A Short History of Wireless

Wireless service, also known as cellular or Commercial Mobile Radio Service (CMRS), is a regulatory classification for mobile telephone service that is provided for profit and makes interconnected service available to the public with the use of mobile phone service.

The first experimental cellular system launched in Chicago & Washington, D.C. in 1977. By 1983 the first functioning cellular system began in Chicago, followed by the founding of the Cellular Telecommunications Industry Association (CTIA) in 1984.

Regulation of wireless service began in 1988 though the FCC only adopted Auxiliary Cellular Services Order but didn't mandate specific standards until the term CMRS was created by the FCC in the Omnibus Budget Reconciliation Act of 1993, where cellular, SMR/ESMR & PCS were brought under the same regulatory umbrella. At the same time, the first "smart phone" was released offering calendar, address book, calculator, email, faxing service & game capabilities. Today, that "smart phone" technology is on track to replace use of a computer for many functions.

The FCC has jurisdiction over wireless carriers though states have increasingly begun to apply reporting or registration rules as outlined in the sections below.

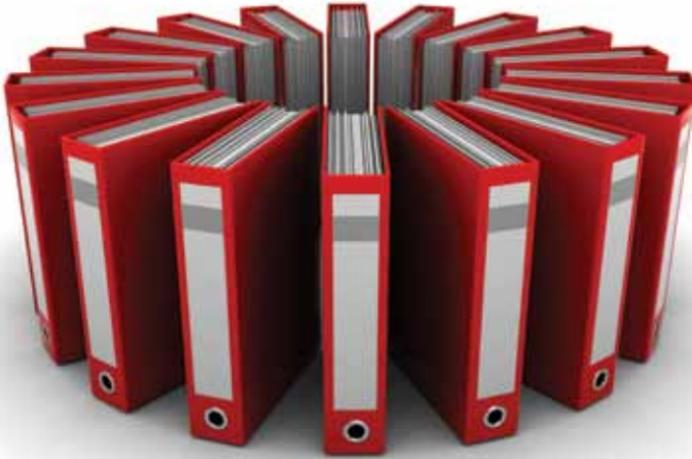


## State Regulation of Wireless Providers

Currently only seventeen (17) jurisdictions require wireless carriers to complete some form of registration or certification. Five (5) jurisdictions don't require registration/certification but do require some reporting. One state, Colorado, has considered registration requirements that are not yet adopted. Mostly, states have registration requirements to ensure CMRS compliance reporting including, but not limited to: E911, USF, TRS, PSC Fees, ITSAP Surcharges or Annual Reports. Where Secretary of State (SOS) is listed as "yes" in the chart below, this means a copy of the carriers SOS must be filed along with their registration. All states require carriers to register with SOS to have authority to operate a business in the state. Below is a brief summary of the jurisdictional requirements:

### States with Registration/Certification Requirements:

Jurisdiction:	Form of Regulation:	Fee:	Reporting Requirements	SOS
California	Wireless Registration Form (WIR)	No	Annual Report	No
Colorado	Wireless Utility Designee Form	No	None	No
Hawaii	Certificate of Registration (COR)	\$30	PUC Fee, E911 & TRS	No
Illinois	Certificate of Service Authority	No	None	No
Indiana	Certificate of Territorial Authority	No	None	Yes
Kentucky	Contact Information Filing	No	Updates to Contact Info	No
Louisiana	Registration	No	None	No
Michigan	Register in ITSP Database	No	None	Yes
Mississippi	Registration only if ETC	Ni	None	No
Montana	Registration	No	None	No
Nebraska	Registration	\$50	None	No
Nevada	Licensing	No	None	Yes
New York	CPCN	No	None	No
North Dakota	Registration	No	None	No
South Dakota	Contact Information Form	No	Updates to Contact Info	No
Vermont	Registration	No	Annual Report & Gross Rev Tax	Yes
West Virginia	Registration	No	None	No



Jurisdictions Where Reporting Only Required:

Jurisdiction:	Reporting Required	Additional Requirements:
FCC	None	Cramming Rules Apply
Alaska	If carriers want to pull from the Numbering Pool registration is required	
Idaho	ITSAP Surcharges, 911 Fees & High Cost Fund	
Ohio	Annual Report	Bond required except for CMRS Resellers
Oklahoma	Annual Report	None

States where Registration/Certification is Proposed:

State:	Form of Regulation:
Colorado	Considering Registration

Customer Proprietary Network Information (“CPNI”) rules are consistent among most states. For those states that look to the FCC for guidance, state CPNI rules mirror FCC requirements. The states assume that if you are following the FCC CPNI rules and are in compliance that you are in compliance with their jurisdictional requirements. Other states will implement their own rules. In every case, customer information protection is taken very seriously. Penalties and forfeitures can apply if compliance is not maintained.

It is best to understand your tax and regulatory requirements. Compliance Solutions can assist you in these areas.

# FCC Requirements

## Registration

A wireless provider must first register with the FCC. The FCC registration system, "CORES", will assign a 10 digit FCC Registration Number ("FRN") which will be used on most filing requirements with the FCC and must be included on all payments made to the FCC.

Another important identification number wireless providers will be required to have and maintain is a 499 Filer ID. This 6 digit number is assigned by the FCC after you file your initial 499-A report. You will be required to include your FRN number on this report once it has been established.

## Forms 499-Q and 499-A

The 499-Q is a quarterly report that is required for companies, including wireless providers that contribute to the Universal Service Fund. The report is due February 1, May 1, August 1, and November 1 of each year. The information collected in these quarterly reports will identify what the company's contribution amount will be to the universal service support mechanisms.

The 499-Q collects information about revenues billed and collected, including interstate and international, for the previous quarter as well as projected revenues for the upcoming quarter.

The 499-A is an annual report that is due each year by April 1st. It is reconciliation of your actual revenue.

Wireless providers have an option in the way they report their revenue that is ultimately used to determine their FUSF obligations which is based on interstate revenues collected:

1. Actual Revenues
2. Safe Harbor – Currently the Safe Harbor rate for Wireless provider is set at 37.1%. This method assumes that 37.1% of the provider's charges are interstate & international and therefore would be subject to FUSF.

Wireless telecommunications providers that choose to use the safe harbor percentages for interstate revenues can assume that the FCC will not find it necessary to review or question the data underlying their reported percentages. However, wireless 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.

Some companies will claim that they are de minimis. A company is considered de minimis if the revenue reported on the FCC 499-A would calculate their Universal Service Fund contribution to be less than \$10,000. Companies that are de minimis are exempt from contributing to USF for that given year. It will not exempt them from paying into other funds or being billed for FUSF by their underlying carrier.

### Annual Regulatory Fee

An Annual Regulatory Fee is imposed by the FCC each year and is usually due on August 31st. The fee, which must be confirmed online by the provider, is based on information submitted through previous year on the 499-A. The penalty if not paid on time is 25% of the total fee due, even if one day late.

### CPNI

All CMRS (wireless) providers must submit an annual report that states they are in compliance with the FCC rules regarding Customer Proprietary Network Information ("CPNI"). Annual CPNI Certifications are due by March 1st of each year.

CPNI rules were developed to protect consumer information that companies have as a result of their services. The rules that were implemented by the Commission require CMRS providers to establish and maintain systems that protect their subscribers' information.

The FCC has stepped up their efforts to enforce the rules and failure to certify and comply with the rules may result in a fine of \$150,000 for each violation or day of a continuing violation. There are no exemptions for the annual certification filing. Regardless of the size of the company, this rule applies to everyone providing service.

### FCC Form 477

FCC Form 477 collects information about broadband connections to end user locations, wired and wireless local telephone services, and interconnected Voice over Internet Protocol (VoIP) services, in individual states.

This online report is required to be filed twice a year. Information is reported by state and zip code.

## FCC 214 License

Any carrier providing service between the United States and an international location must have apply and obtain a FCC 214 license. Once the license is obtained annual reports must be filed to remain in compliance.

## FCC “Red Light Rule”

Requirements set forth in the Debt Collection Act of 1996 were implemented by the FCC on December 16, 2004. If debts are not paid to the FCC in a timely manner, FCC benefits are stopped to those who are in a delinquent status. This is known as the “red light rule” If a company is in Red Light Status, the FCC is required to stop action on all application funds provided to you from the Universal Service process, and other benefits until the delinquency is resolved.

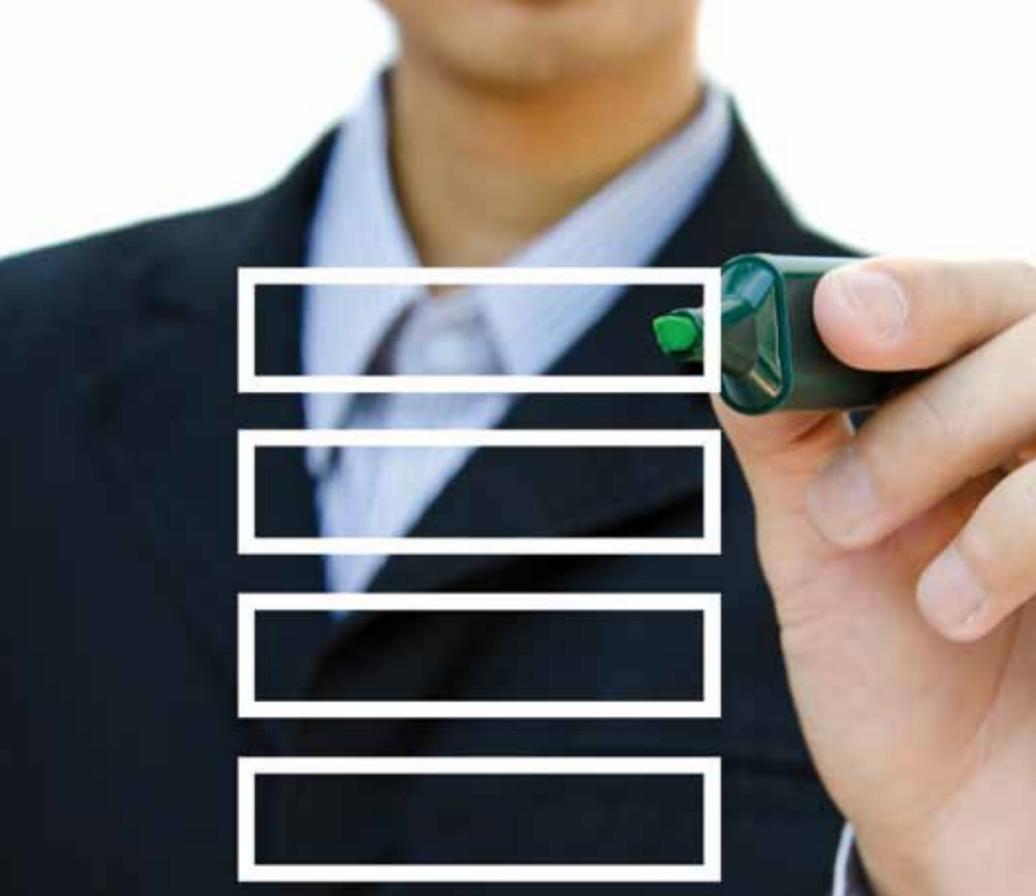
## FCC Disability Accessibility Requirements

The FCC requires companies to submit the necessary information for the Annual Recordkeeping Compliance Requirements. By no later than April 1 of each year all telecommunications providers (ILEC, CLEC, IXC, Reseller, OSP, Inmate Provider, Payphone, VoIP, CMRS, Voice Mail, Text Messaging & Conference Services) and equipment manufacturers must file a certification with the FCC confirming that they are maintaining records and documenting the steps they have taken (where feasible) to allow disabled persons to access their products and services and that they are handling complaints from persons with disabilities according to FCC rules.

Most people think disability access is related only to equipment (TDD) but telecommunications companies who don't offer equipment also have obligations. The key is to make sure you document whatever efforts you make to show you are handling disabled inquiries and access to your services as required.

The filing is not a paper attestation like what is filed for CPNI; instead it is an electronic attestation that is filed on the FCC web portal set up specifically for this purpose. It's called the FCC web-based Recordkeeping Compliance Certification and Contact Information Registry The employee responsible for the ensuring compliance on behalf of the company is required to file these certifications themselves. Certifications have been purposely set up this way so that if a complaint arises the FCC can directly contact the party who allegedly signed the certifications and so the contacted party cannot state they had no knowledge of the compliance filing. In addition, the “Recordkeeping” tab which much be signed by the person making the Declaration contains language confirming the person signing the certifications is the person claiming responsibility for compliance on behalf of the covered entity.





## CTIA Compliance

CTIA-The Wireless Association® is an international nonprofit membership organization that began representing the wireless communications industry in 1984. Members of the association include wireless carriers and their suppliers, as well as providers and manufacturers of wireless data services and products. In addition, CTIA presents wireless industry positions and supporting documentation on key issues that are relevant to policy makers in the Executive Branch, the Federal Communications Commission, Congress, and on the state regulatory, and legislative levels.

CTIA has developed a code for Wireless Service that the FCC has required Lifeline providers and wireless carriers in general, to adhere to when providing wireless services. In fact, Lifeline carriers must agree to the code before being granted ETC status and must periodically certify compliance. Following is the Consumer Code for Wireless Service. © 2011 CTIA

# CTIA

## Consumer Code for Wireless Service

To provide consumers with information to help them make informed choices when selecting wireless service, the CTIA and the wireless carriers that are signatories below have developed the following Consumer Code. The carriers that are signatories to this Code have voluntarily adopted the principles, disclosures, and practices here for wireless service provided to individual consumers, including voice, messaging, and data services sold either on a postpaid or prepaid basis.

### THE WIRELESS CARRIERS THAT ARE SIGNATORIES TO THIS CODE WILL:

#### ONE DISCLOSE RATES AND TERMS OF SERVICE TO CONSUMERS

For each service plan offered to new consumers, wireless carriers will disclose to consumers at point of sale and on their web sites, at least the following information, as applicable: (a) the coverage area for the service; (b) any activation or initiation fee; (c) the monthly access fee or base charge; (d) the amount and nature of any voice, messaging, or data allowances included in the plan (such as night and weekend minutes); (e) the charges for domestic usage in excess of any included allowances or outside of the coverage area; (f) for prepaid service plans, the period of time during which any balance is available for use; (g) whether there are prohibitions on data service usage and whether there are network management practices that will have a material impact on the customer's wireless data experience; (h) whether any additional taxes, fees or surcharges apply; (i) the amount or range of any such fees or surcharges that are collected and retained by the carrier; (j) the amount or nature of any late payment fee; (k) whether a fixed-term contract is required and its duration; (l) the amount and nature of any early termination fee that may apply; and (m) the trial period during which a consumer may cancel service without any early termination fee, as long as the consumer complies with any applicable return policy.

#### TWO MAKE AVAILABLE MAPS SHOWING WHERE SERVICE IS GENERALLY AVAILABLE

Wireless carriers will make available at point of sale and on their web sites maps depicting approximate domestic coverage applicable to each of their service plans currently offered to consumers. To enable consumers to make comparisons among carriers, these maps will be generated using generally accepted methodologies and standards to depict the carrier's outdoor coverage. All such maps will contain or link to an appropriate legend concerning limitations and/or variations in wireless coverage and map usage, including any geographic limitations on the availability of any services included in the plan. Wireless carriers will periodically update such maps as necessary to keep them reasonably current. If necessary to show the extent of service coverage available to customers from carriers' roaming partners, carriers will request and incorporate coverage maps from roaming partners that are generated using similar industry-accepted criteria, or if such information is not available, incorporate publicly available information regarding roaming partners' coverage areas.

#### THREE PROVIDE CONTRACT TERMS TO CUSTOMERS AND CONFIRM CHANGES IN SERVICE

When a customer initiates new service or a change in existing service, the carrier will provide or confirm any new material terms and conditions of the ongoing service with the customer.



#### FOUR ALLOW A TRIAL PERIOD FOR NEW SERVICE

When a customer initiates postpaid service with a wireless carrier, the customer will be informed of and given a period of not less than 14 days to try out the service. The carrier will not impose an early termination fee if the customer cancels service within this period, provided that the customer complies with applicable return and/or exchange policies. Other charges, including usage charges, may still apply. © 2011 CTIA

#### FIVE PROVIDE SPECIFIC DISCLOSURES IN ADVERTISING

In advertising of prices for wireless service plans or devices, wireless carriers will disclose material charges and conditions related to the advertised prices and services, including if applicable and to the extent the advertising medium reasonably allows: (a) whether activation or initiation fees apply; (b) monthly access fees or base charges; (c) the amount and nature of any voice, messaging, or data service allowances included in the plan; (d) the charges for any domestic usage in excess of any included allowances or outside of the coverage area; (e) for prepaid service plans, the period of time during which any balance is available for use; (f) whether there are network management practices that will have a material impact on the customer's wireless data experience; (g) whether any additional taxes, fees or surcharges apply; (h) the amount or range of any such fees or surcharges that are collected and retained by the carrier; (i) whether a fixed-term contract is required and its duration; (j) early termination fees; (k) the terms and conditions related to receiving a product or service for "free;" (l) for any service plan advertised as "nationwide," (or using similar terms), the carrier will have available substantiation for this claim; and (i) whether prices or benefits apply only for a limited time or promotional period and, if so, whether any different fees or charges will apply for the remainder of the contract term.

#### SIX SEPARATELY IDENTIFY CARRIER CHARGES FROM TAXES ON BILLING STATEMENTS

On customers' bills, carriers will distinguish (a) monthly charges for service and features, and other charges collected and retained by the carrier, from (b) taxes, fees and other charges collected by the carrier and remitted to federal state or local governments. Carriers will not label cost recovery fees or charges as taxes.

## SEVEN

### PROVIDE CUSTOMERS THE RIGHT TO TERMINATE SERVICE FOR CHANGES TO CONTRACT TERMS

Carriers will not modify the material terms of their postpaid customers' contracts in a manner that is materially adverse to those customers without providing a reasonable advance notice of a proposed modification and allowing those customers a time period of not less than 14 days to cancel their contracts with no early termination fee. © 2011 CTIA

## EIGHT

### PROVIDE READY ACCESS TO CUSTOMER SERVICE

Customers will be provided a toll-free telephone number to access a carrier's customer service during normal business hours. Customer service contact information will be provided to customers online and on billing statements. Each wireless carrier will provide information about how customers can contact the carrier in writing, by toll-free telephone number, via the Internet or otherwise with any inquiries or complaints, and this information will be included, at a minimum, on all billing statements, in written responses to customer inquiries and on carriers' web sites. Each carrier will also make such contact information available, upon request, to any customer calling the carrier's customer service departments.

## NINE

### PROMPTLY RESPOND TO CONSUMER INQUIRIES AND COMPLAINTS RECEIVED FROM GOVERNMENT AGENCIES

Wireless carriers will respond in writing to state or federal administrative agencies within 30 days of receiving written consumer complaints from any such agency.

## TEN

### ABIDE BY POLICIES FOR PROTECTION OF CUSTOMER PRIVACY

Each wireless carrier will abide by a policy regarding the privacy of customer information in accordance with applicable federal and state laws, and will make available to the public its privacy policy concerning information collected online. Each wireless carrier will abide by the CTIA Best Practices and Guidelines for Location-Based Services.

## ELEVEN

### PROVIDE CONSUMERS WITH FREE NOTIFICATIONS FOR VOICE, DATA AND MESSAGING USAGE, AND INTERNATIONAL ROAMING

Each wireless provider will provide, at no charge: (a) a notification to consumers of currently-offered and future domestic wireless plans that include limited data allowances when consumers approach and exceed their allowance for data usage and will incur overage charges; (b) a notification to consumers of currently-offered and future domestic voice and messaging plans that include limited voice and messaging allowances when consumers approach and exceed their allowance for those services and will incur overage charges; and (c) a notification to consumers without an international roaming plan/package whose devices have registered abroad and who may incur charges for international usage. Wireless providers will generate the notifications described above to postpaid consumers based on information available at the time the notification is sent. Wireless consumers will not have to affirmatively sign up in order for these notifications to be sent. Each wireless provider shall provide its customers at least two of these alerts by October 17, 2012 and all of these alerts by April 17, 2013. Wireless providers will clearly and conspicuously disclose tools or services that enable consumers to track, monitor and/or set limits on voice, messaging and data usage. © 2011 CTIA



## Taxes, Surcharges, and Fees

Taxation of Wireless service and equipment has changed significantly over the last few years as state legislatures and municipalities have broadened the definition of telecommunication services to encompass technologies beyond traditional landlines.

### Taxes, Surcharges & Fees

**Federal Subscriber Line Charge**—a charge set by the FCC that customers pay to their local phone company to cover part of the cost of connecting customers to the telephone network. It is currently capped at \$6.50 per month for the first residential line and single business lines. The monthly charge can vary by company.

**Telecommunications Relay Service Surcharge**—a surcharge set by the state Public Service Commission (PSC) to operate the statewide telecommunications system for the hearing and speech impaired. The program also provides financial aide to eligible citizens for the purchase of specialized telephone equipment necessary to use relay services.

**911 Service Surcharge**—a charge assessed by and remitted to the city or county to provide funding to operate emergency service centers. Typically this charge ranges from \$.50 to \$5.00 per month per telephone number dependent on local or county government actions.

**Wireless E911 Surcharge**—a charge assessed by the state and remitted to the state PSC to fund the implementation of the Wireless E911 program, which allows emergency responders to accurately locate wireless devices that have placed 911 calls. The charge is applied on each telephone number in service.

**State Universal Service Surcharge**—a surcharge set by the state PSC on in-state telecommunications charges. It is disbursed to local phone companies, wireless companies, and hospitals to defray a portion of the cost to provide services in high-cost areas, to low-income customers, and to critical access hospitals which provide medical services over state health networks. The charge varies by state and changes as fund needs change.

**State Sales Tax**—a tax assessed by and remitted to the state on local and in-state long distance telecommunications charges. It funds general state government obligations.

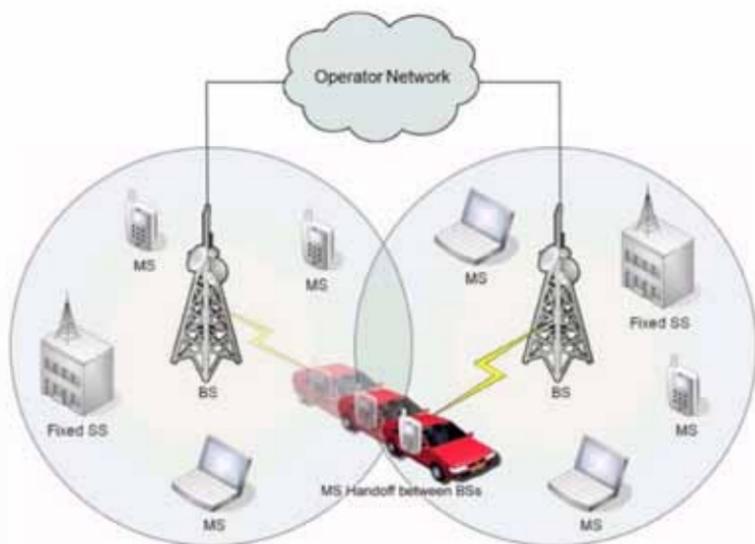
**City Sales Tax (if applicable)** - a tax assessed by and remitted to the city to fund general municipal obligations. City sales taxes, if they exist, vary by city.

**City Occupation or Franchise Tax (if applicable)** — a tax assessed to telephone companies by the city for the right to do business in the community. Occupation or Franchise taxes, if they exist, vary by city and these charges are passed on to customers on telephone bills.

**Federal Universal Service Fund**—all telecommunications service providers must contribute to the Federal Universal Service Fund (USF) based on a percentage of their interstate end-user revenues. The fee provides support to promote access to telecom services at reasonable rates for those living in rural and high-cost areas, income-eligible consumers for reduced rates for phone service, rural health care facilities, and schools and libraries. The rate is recalculated by the FCC quarterly, is usually passed on to consumers, and varies by company. These charges can be applied to phone bill items such as: Federal Access Charge; Customer or Subscriber Line Charge; Interstate Access Charge; and Interstate or International Long Distance Toll.

As you can clearly see there are multiple layers of governments taxing the wireless transaction each month. The result of these changes has meant an increase in the number of taxes to which wireless is subject. This can include gross receipts, excise, sales and use, and E911 surcharges to name a few. It is no longer true that Wireless providers need to only charge for their states sales tax and maybe Federal USF. Based on these changes in the law, a wireless provider is required to bill and remit many, and in some cases all, of the taxes and regulatory surcharges that a traditional phone company would normally bill. This creates a more complicated tax picture and increases the difficulty of accurately calculating these taxes and surcharges.

As states continue to look to generate revenue, wireless has become an attractive target and new avenue to explore.



## Wireless Topology

Source: wikia.com

## Glossary

**AMPS:** Advanced Mobile Phone Service (AMPS) is the original analog “cellular” service transmission standard first deployed in the United States, and all standards that retain compatibility with it. It continues to be the default standard for cellular systems in the U.S., and in some regions around the world.

**Analog:** Transmission of information through a continuously variable signal. Analog has largely been replaced by digital technologies, which are more secure, more efficient and provide better quality.

**Bluetooth:** The name for a technological standard (a communications protocol) that enables mobile devices equipped with a special chip to send and receive information wirelessly. Bluetooth technology allows electronic devices (desktop computers, wireless phones, electronic organizers and printers) to communicate over short-ranges wirelessly using the 2.4 GHz spectrum band.

**BTA (Basic Trading Area):** A geographic area designed by Rand McNally to reflect business centers, and adopted by the FCC for the licensing of Personal Communications Services and some other wireless services. BTAs are composed of several neighboring counties associated by business and commuting patterns. The U.S. is divided into 493 BTAs.

**Carrier:** Also known as service provider or operator

**CDMA (Code Division Multiple Access):** A technology used to transmit wireless calls by assigning them codes. Calls are spread out over the widest range of available channels. Then codes allow many calls to travel on the same frequency and also guide those calls to the correct receiving phone.

**Cell:** The basic geographic unit of wireless coverage and shorthand for the generic industry term “cellular.” A region is divided into smaller “cells,” each equipped with a low-powered radio transmitter/receiver. The radio frequencies assigned to one cell can be limited to the boundaries of that cell. As a wireless call moves from one cell to another, a computer at the Mobile Telephone Switching Office (MTSO) monitors the call and at the proper time, transfers the phone call to the new cell and new radio frequency. The handoff is performed so quickly that it’s not noticeable to the callers.

**Cell Site:** The location where a wireless antenna and network communications equipment is placed, on a structure, in order to provide wireless service in a geographic area. A cell site is also sometimes called a cell tower.

**Channel / Circuit:** A communications pathway that may take the form of a connection established over wireless, wired, or fiber optic facilities.

**CMRS (Commercial Mobile Radio Service) Provider:** An FCC designation for any wireless carrier or license owner whose wireless service is connected to the public switched telephone network and/or is operated for profit. Wireless services that are offered to the public are classified as CMRS, unlike private systems which are classified as “Private Mobile Services.”

**Co-Location:** Placement of multiple antennas at a common site. Some companies act as brokers or cell site managers, arranging cell sites and coordinating many carriers’ antennas at a single cell site.

**Dual Band:** A wireless handset that works on more than one spectrum frequency, e.g., in the 800 MHz frequency and 1900 MHz frequency bands.

**Dual Mode:** A wireless handset that works on both analog and digital networks.

**EDGE:** Enhanced Data Rate for Global Evolution is an evolutionary step in the GSM-development path for faster delivery of data, delivered at rates up to 384 Kbps. The standard is based on the GSM technology platform and uses the TDMA approach (see TDMA, below).

**ESMR (Enhanced Specialized Mobile Radio):** A single wireless device that combines a two-way radio, phone, mobile dispatch, radio paging and Mobile data capabilities, and operates on digital networks. Examples of ESMR service providers include Nextel Communications, Nextel Partners, and Southern LINC Wireless, among others.

**ESN (Electronic Serial Number):** A unique serial identification number programmed into a wireless phone by the manufacturer. It is normally found underneath the phone's battery. When a call is placed, the ESN is transmitted to a nearby base station so the wireless carrier can validate the call. The ESN differs from the Mobile Identification Number, which identifies a customer's wireless phone number. MINs and ESNs are electronically monitored to help prevent fraud.

**GPRS (General Packet Radio Service):** A packet technology approach that enables high-speed wireless Internet and other GSM-based data communications. It makes very efficient use of available radio spectrum for transmission of data.

**GPS (Global Positioning System):** A worldwide satellite navigational system, made up of 24 satellites orbiting the earth and their receivers on the earth's surface. The GPS satellites transmit digital radio signals, with information used in location tracking, navigation and other location or mapping technologies.

**GSM (Global System for Mobile Communications):** A technological approach also based on dividing wireless calls into time slots. GSM is most common in Europe, Australia and much of Asia and Africa. Generally, GSM phones from the United States are not compatible with international GSM networks because the U.S. and many other nations use different frequencies for mobile communications. However, some phones are equipped with a multi-band capability to operate on such other frequencies.

**Handoff:** The transition for any given user of signal transmission from one base station to a adjacent base station as the user moves around.

**iDEN (Integrated Digital Enhanced Network):** A specialized mobile technology that combines two-way radio, telephone, text messaging and data transmission into one digital network. iDEN is designed to give users quick access to information on a single device. Introduced by Motorola and used by AirTel Montana, Nextel Communications, Nextel Partners, and Southern LINC Wireless, among others.

**Interconnection:** Connecting one wireless network to another, such as linking a wireless carrier's network with a local telephone company's network.

**Megahertz:** Megahertz (MHz) is a unit of frequency equal to one million hertz or cycles per second. Wireless mobile communications within the United States generally occur in the 800 MHz, 900MHz and 1900MHz spectrum frequency bands.

**MIN (Mobile Identification Number):** The MIN, more commonly known as a wireless phone number, uniquely identifies a wireless device within a wireless carrier's network. The MIN is dialed from other wireless or wireline networks to direct a signal to a specific wireless device. The number differs from the electronic serial number, which is the unit number assigned by a phone manufacturer. MINs and ESNs can be electronically checked to help prevent fraud.

**MSA (Metropolitan Statistical Area):** One of the 306 urban-centered cellular service areas based on the largest urban markets as designated by the U.S. government in 1980. Two "cellular" service operators are licensed in each MSA.

**MTA (Major Trading Area):** A geographic area designed by Rand McNally to reflect business centers, and adopted by the FCC for the licensing of Personal Communications Services and some other wireless services. MTAs are composed of neighboring basic trading areas (BTAs) associated with major business centers. The U.S. is divided into 51 MTAs, which do not reflect state boundaries.

**MTSO (Mobile Telephone Switching Office):** The central computer that connects wireless phone calls to the public telephone network. The MTSO controls the series of operations required to complete wireless calls, including verifying calls, billing and antenna handoffs.

**MVNO (Mobile Virtual Network Operator):** A company that buys network capacity from a network operator in order to offer its own branded mobile subscriptions and value-added services to customers.

**NAM (Number Assignment Module):** The NAM is the electronic memory bank in the wireless phone that stores the phone's telephone number and electronic serial number.

**Number Portability:** The ability of a customer to retain their telephone number when changing service providers in a specific area, whether changing from one wireless company to another, one wireline company to another, or between wireless and wireline companies.

**PCS (Personal Communications Services):** FCC defines as a broad family of wireless services, commonly viewed as including two-way digital voice, messaging and data services. One set of "PCS" licenses established by the FCC operates in the 1900 MHz band.

**PDA (Personal Digital Assistant):** A portable computing device capable of transmitting data. These devices can offer services such as paging, data messaging, e-mail, computing, faxes, date books and other information management capabilities.

**POPs:** For wireless, POPs generally refers to the number of people in a specific area where wireless services are available (the population). For traditional 'landline' communications, a "Point of Presence" defines the interconnection point between the two networks.

**Repeater:** Devices that receive a radio signal, amplify it and re-transmit it in a new direction. This is used in wireless networks to extend the range of base station signals and to expand coverage. Repeaters are typically used in buildings, tunnels or difficult terrain.

**Roaming:** When traveling outside their carrier's local service area, roaming allows users to continue to make and receive calls when operating in another carrier's service coverage area.

**RSA (Rural Service Area):** One of the 428 rural markets across the United States, as designated by the FCC for the delivery of cellular service outside of the initial 306 MSAs.

**Smart Antenna:** A wireless antenna with technology that focuses its signal in a specific direction. Wireless networks use smart antennas to reduce the number of dropped calls, and to improve call quality and channel capacity.

**Smart Phone:** Wireless phones with advanced data features and often keyboards. What makes the phone "smart" is its ability to manage and transmit data in addition to voice calls.

**SMS:** Short Messaging Service enables users to send and receive short text messages (usually about 160 characters) on wireless handsets. SMS is also referred to as "text messaging."

**Third-Generation (3G):** A general term that refers to technologies which offer increased capacity and capabilities delivered over digital wireless networks.

**Tri-Band Handset:** Phones that work on multiple frequencies, typically in the 1900 MHz, 800 MHz, and 900 MHz frequencies used in the U.S. and elsewhere.

**Tri-Mode Handset:** Phones that operate in different modes, such as the CDMA, TDMA, and analog standards.

**UMTS (Universal Mobile Telecommunications Systems):** This is third generation technology generally based on W-CDMA (Wideband Code Division Multiple Access). UMTS promises a communications speed between 384 kbps and up to about 2 Mbps.

**Voice Recognition:** This is the capability for wireless phones, computers and other devices to be activated and controlled by voice commands.

**WAP (Wireless Application Protocol):** Wireless Application Protocol is a set of standards that enables wireless devices, such as phones, pagers and palm devices, to browse content from specially-coded Web pages.

**W-CDMA:** Wideband Code Division Multiple Access, one of two 3G standards that makes use of a wider spectrum than CDMA and therefore can transmit and receive information faster and more efficiently.

**Wi-Fi (Wireless Fidelity):** Technology that allows an electronic device to exchange data wirelessly over a computer network. The technology is based on the IEEE 802.11a or 802.11b standards. Wi-Fi offers local area connectivity to Wi-Fi-enabled computers.

**Wi-Max:** A wireless technology based on the IEEE 802.16 standard. It provides metropolitan area network connectivity for fixed wireless access at broadband speeds.

**Wireless Internet:** A general term for using wireless services to access the Internet, e-mail and/or the World Wide Web. Connectivity to the Internet is via radio waves rather than wires on a person's computer, laptop, or mobile device.

**WLL (Wireless Local Loop):** WLL is a system that connects wireless users to the public switched telephone network (PSTN) using wireless technology and other circuitry to complete the "last mile" between the wireless user and the exchange equipment. Wireless systems can often be installed faster and cheaper than traditional wired systems.

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