



Comments on VOIP and the Telephone Bill Tax & Surcharge Intelligence Test:
(Average "Taxes & Surcharges" section of a New York City phone bill.)

4 Surcharges and Taxes			
FCC Line Charge	\$6.00	911 Surcharge	\$1.00
Local Number Portability	\$.23	Federal USF Surcharge	\$.57
Federal Tax	\$.22	Surcharge(s)	\$.37
NY State/Local Sales Tax	\$.59		
Total			\$8.98

The FCC has asked for comments pertaining to VOIP in numerous inquiries dealing with applying new "regulatory requirements" — taxes and surcharges — to these services.

"...this NPRM describes several central regulatory requirements and asks which, if any, should apply to each category of IP-enabled service. These regulatory requirements include, among others, those addressing disability accessibility, the 911 and E911 systems, access charges, universal service, consumer protection, and traditional common carrier obligations."

And yet, neither the FCC nor any other regulator or politician has a clue — a clue about the current taxes and surcharges on phone bills that are paid by customers. But that doesn't stop them from contemplating new taxes and surcharges to new services — such as VOIP.

To make the lack of data about taxes and surcharges apparent, the rest of these comments are a "Telephone Bill Taxes & Surcharges Intelligence Test" — an easy and hard version. The FCC Commissioners and staff, and every other politician and regulator should take these tests. And they will fail them, just as every average customer is failed by the lack of knowledge of our regulators who add more taxes and surcharges without examining the consequences of their action.

- Are "Taxes and Surcharges" 112% more than basic dialtone in New York City? Does the FCC Line Charge have 27% taxes and surcharges applied?
- Is the FCC Line Charge being taxed Universal Service charges, which is also being applied to other charges in the "Taxes and Surcharges" section of local phone bills?
- What percentage of the taxes and surcharges are really some form of enrichment for the phone companies? --- 50%? 90%?

Our tests are based on a 2-year investigation into phone bill charges that included a survey of New York and New Jersey phone bills, combined with other data from the FCC, and a host of other sources. See: "Phone Bill Independence Report"

<http://www.teletruth.org/phonebillindependencereport.html>



Conclusion:

We find the current situation embarrassing, since the FCC is worried about definitional issues instead of substantive ones. Therefore, before any new services are taxed and surcharged, the FCC should investigate the current collection of taxes and surcharges and start to either cost justify each charge – or remove them from current phone bills.

These comments are also being joined by other comments, filings, and legal actions by Teletruth related to phone bill issues. Teletruth will be filing in the current NASUCA petition on Truth-in-Billing issues, since the issues presented overlap. Also,

To date:

- Teletruth has filed a Truth-in-Billing Petition pertaining to the FCC Line Charge.
- Teletruth has filed a “Data Quality Act” Complaint that the data and conclusions pertaining to the FCC Line Charge used to raise the rates (and caps) were flawed.

<http://www.teletruth.org/RemoveFCCLineCharge.html>

- Two Class Action Suits:

Based on the data from the surveys, Teletruth has filed 2 Class Action Suits against Verizon, New Jersey. The first case, which found that 40% of the small businesses under 5 lines were missing their discounts, has been tentatively settled.

http://www.newnetworks.com/class_action_suits_against.htm

Take the tests on the next page and see if you can get a passing grade:



Telephone Bill Tax & Surcharge Intelligence Test (EASY VERSION)

0 Right—Politician. 1 Right—FCC Commissioner. 2 Right—Rocket Scientist. 2.5 Right—Brain Surgeon. 9 Right—Teletruth Auditing Team.

Here's the "Surcharges and Taxes" from a normal Verizon, New York City local phone bill (and it is the same for Verizon's Freedom packages as well. Many of these taxes are common throughout the US as well.)

4 Surcharges and Taxes

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Total **\$8.98**

Good Luck: True or False

- 0) _____ Do you feel nauseous just looking at this mess? (Warm up question)
- 1) _____ The charges above are the taxes and surcharges for an entire, average local phone bill.
- 2) _____ The FCC Line Charge goes to fund the FCC and is a government tax.
- 3) _____ The Federal Excise Tax was first put on to fund the Spanish American War in 1898.
- 4) _____ The charges above are not correctly added up and taxed based on June, 2004.

Pick One:

- 5) _____ How many taxes and surcharges are applied to the FCC Line Charge? a) 1, b) 3, c) over 6 d) We don't know.
- 6) _____ The taxes and surcharges on the FCC Line Charge in New York City, from the example above are? a) 8%, b) 16%, c) 27%, d) 32%
- 7) _____ The taxes above as compared to the "dialtone" monthly charge are a) 27%, b) 55%, c) 86%, d) 112%
- 8) _____ Which statement about the "Universal Service" Fund is False:
a) Has been called an "out of control" slush fund.



- b) Has a "high-cost" fund that gives very profitable rural companies more money?
c) Has had a lack of oversight and competitive bidding?
d) The Bell phone companies were the largest recipient of the Universal Service Fund's "Schools and Libraries" Fund in 2001
- 9) _____ How many "Truth-in-Billing" violations are there in this example? a) 3, b) 6, c) at least 10,
- 10) _____ Money: Surcharges and Taxes on a Verizon package of local and long distance in New York (advertised at \$59.95) adds annually an additional
a) \$25. b) \$155, c)\$260, d) \$302.
- 11) _____ Which statement is False?:
- a) On an average bundled package of Local and Long Distance, the taxes above are added to the advertised price.
 - b) Universal Service Fund continues to increase from 3.9% in 1999 to 8.9% in 3rd Quarter 2004, a 128% increase.
 - c) Since 2000, the FCC Line Charge increased 86%, from \$3.50 to a cap of \$6.50.
 - d) Many of the taxes and surcharges are direct revenue or enrichment to the local phone companies.
- 12) _____ Which statement is False?
- a) No regulator examines the phone bill charges anymore.
 - b) Phone bills are almost 100% accurate -- very few mistakes.
 - c) Various regulators and politicians now want to put ALL of these taxes and surcharges on new services, such as Voice-over-the-Internet (VOIP)

To see the Answers go to:

<http://www.newnetworks.com/phonebilltestanswers.htm>



Telephone Bill Tax & Surcharge Intelligence Test (HARD VERSION)

10% Right —Politician. 20% Right —FCC Commissioner. 30% Right —Rocket Scientist.35% Right —Brain Surgeon. 90% Right -- Teletruth Auditing Team.

The previous "Easy" test is designed for the average customer, not the telecom insider. This "HARD" test will show your true meddle. However, it is what the average customer is confronted with, every month, on their phone bill. Here's the "Surcharges and Taxes" from a normal Verizon, New York City Verizon's Freedom package for "Verizon Basic Local Services", (from April-May 2003).

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Fill in the Blanks — What taxes and surcharges are applied to the items listed on the first column on the left, below? -- i.e., is Federal tax applied to the FCC Line Charge or the E911 charge? How do you justify the Federal Tax of \$.22 cent charge above, or even the State and Local taxes at \$.59 cents?

Your task is to go through each charge listed and decide if it applied to some other charge. Put an "X" in the column -- Example, marked below... The FCC Line Charge is taxed Federal tax. It, plus other items will equal \$.22 cents in Federal tax. Fill in the rest of this chart.

Hint -- The Federal Tax is 3%, the New York City and State Tax is 8.625%

	FCC Line	Portability	Federal	State/local	911	USF	Surcharges
FCC Line			"X"				
Portability							
Federal							
State							
911							
USF							
Surcharges							
Totals	\$6.00	\$.23	\$.22	\$.59	\$1.00	\$.57	\$.37

Scoring — Time limit :30 minutes. Every "right" answer is worth 2 points, every "wrong" or missing answer is a minus-2 points. — Total possible correct score is 98%.

Answers can be found at: <http://www.newnetworks.com/hardphonebilltestanswers.htm>