

“Secret” Exemptions

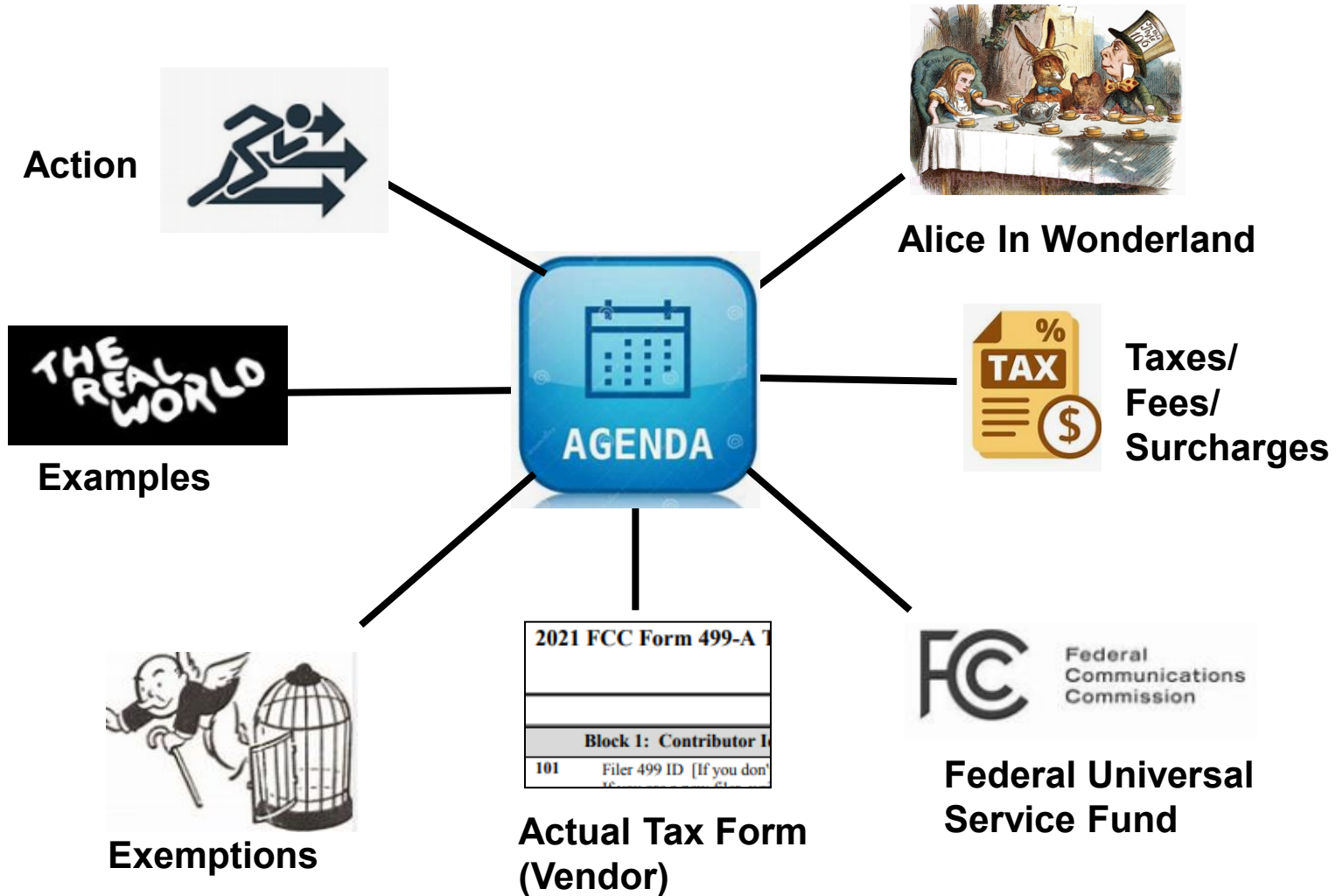
That Can Reduce your IT/Telecom Bills by 33%

Art Yonemoto
Yonemoto & Associates

Yonemoto & Associates

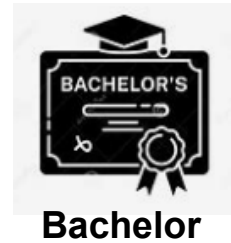
** Follow the Money * Connect the Dots * Critical Thinking*

“Secret” Exemptions



Career Advancement Background

Art Yonemoto



Computer
Science



Master of
Business
Administration



Bank of America



SIEMENS

Yonemoto & Associates

Follow the Money, Connect the Dots, Critical Thinking

“Secret” Exemptions

Background

Art Yonemoto

Yonemoto & Associates

Follow the Money



Reduce costs



Connect the Dots



Critical Thinking



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* Follow the Money * Connect the Dots * Critical Thinking

“Secret” Exemptions Questions



Do you or your organization prefer to pay more than necessary?

Are you “Missing Out” on a way to exempt or mitigate a major cost item (Fee)?

“Secret” Exemptions

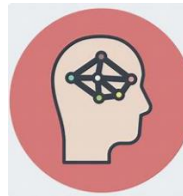
Federal Universal Service Fund (FUSF)



Not a Tax Expert

Not a Accounting Expert

Consultant

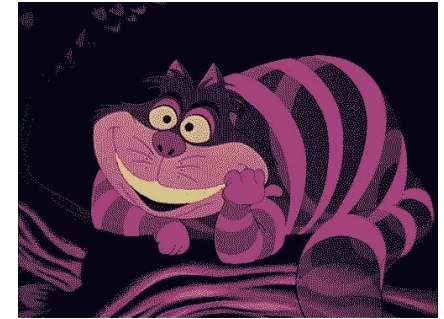


Logic



“Secret” Exemptions

Federal Universal Service Fund (FUSF)



*Learn how to make the
FUSF Fee disappear like
the Cheshire Cat*

The “Alice In Wonderland” Federal Fee

*The more you investigate,
It just gets “Curiouser and Curiouser”*

“Secret” Exemptions



Alice In Wonderland



Taxes/
Fees/
Surcharges

“Secret” Exemptions

Federal Universal Service Fund (FUSF)

Our Understanding on how Taxes and Fees Work

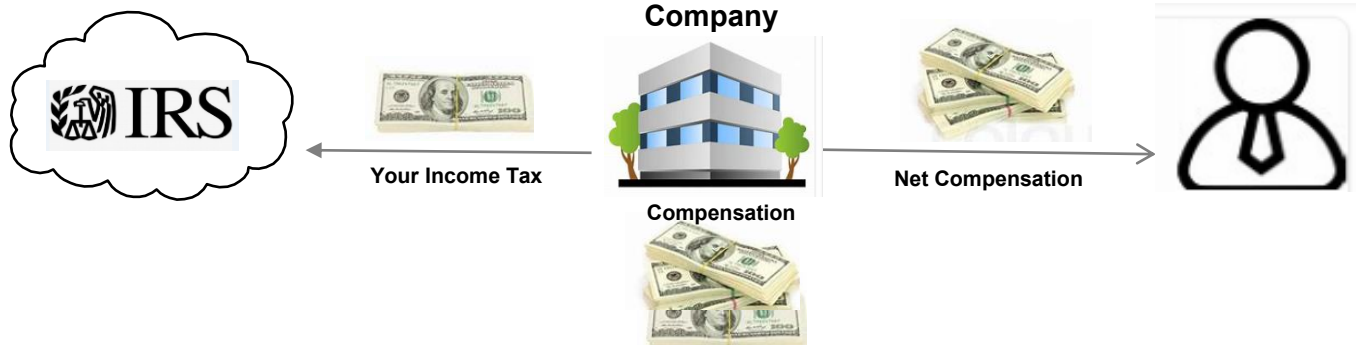
Consumer Tax

State
Sales Tax



Income Tax

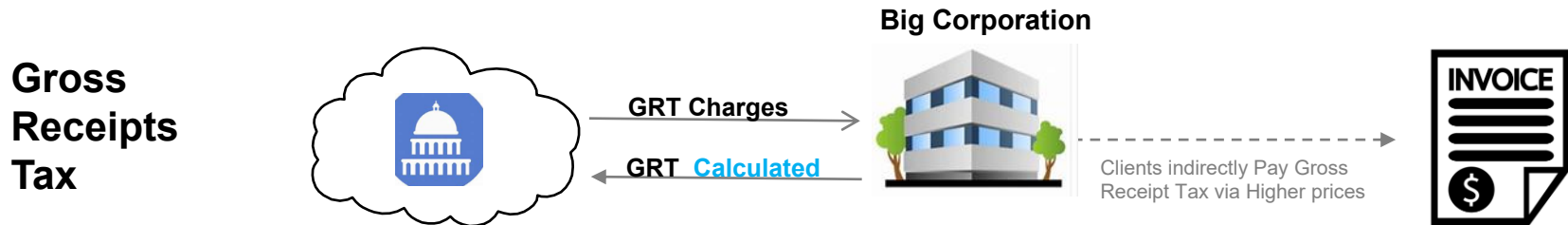
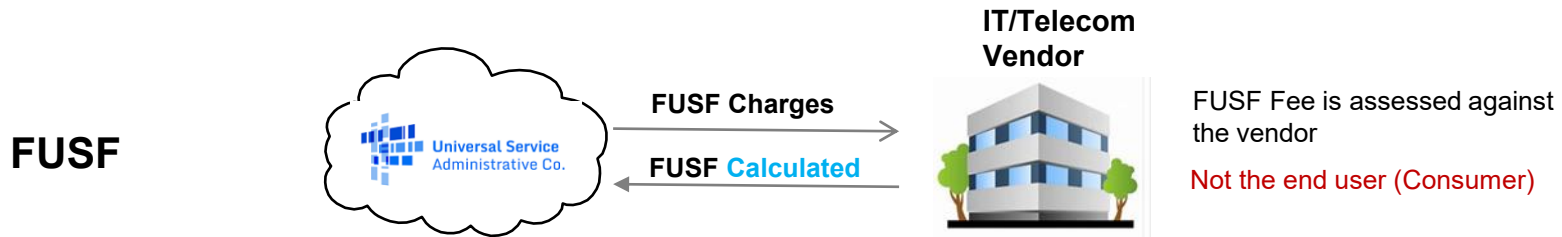
Federal



“Secret” Exemptions

Federal Universal Service Fund (FUSF)

FUSF Charges = Gross Receipts Tax



Gross Receipt Tax is based on Gross Revenue not Profits

States – Delaware, Nevada, Ohio, Oregon, Tennessee, Texas, Washington

Cities – San Francisco, Los Angeles, Philadelphia, Portland

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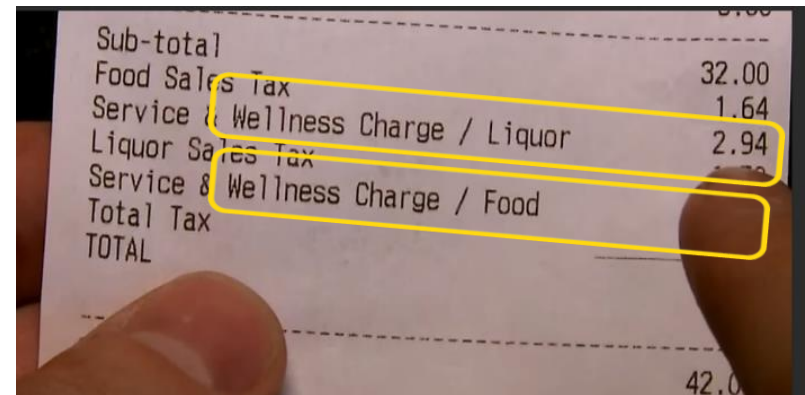
“Secret” Exemptions

Federal Universal Service Fund (FUSF)

Car Rental Industry Tax

| | | |
|---------------------------|-----------|---------------|
| FUEL SERVICE | 9.99 /Gal | 0.00 |
| | 0.00 % | 0.00 |
| CONCESSION REC FEE | 11.10 % | 13.41 |
| STATE RENTAL TAX | 17.90 % | 24.31 |
| CON. FACILITY FEE | 7.75/Day | 15.50 |
| VEH. LICENSE FEE | 0.79/Day | 1.58 |
| Total Adjustments: | | 0.00 |
| Subtotal: | | 175.62 |
| Total Payments: | | 175.62 |

San Francisco Wellness Tax



| | | |
|------------------------------------|--|-------|
| Sub-total | | 32.00 |
| Food Sales Tax | | 1.64 |
| Service & Wellness Charge / Liquor | | 2.94 |
| Liquor Sales Tax | | |
| Service & Wellness Charge / Food | | |
| Total Tax | | |
| TOTAL | | 42.00 |

San Francisco employers are required to provide health care benefits.

If they do not subscribe to a Health Care plan, they contribute to a Wellness fund.

“Secret” Exemptions



Alice In Wonderland



Taxes/
Fees/
Surcharges



Federal Universal
Service Fund

“Secret” Exemptions

Federal Universal Service Fund (FUSF)



**Communications Act
1996**



Connect America
(Rural Areas)



Low Income
(Lifeline)



Rural Health
Care



Library Support
(E Rate)

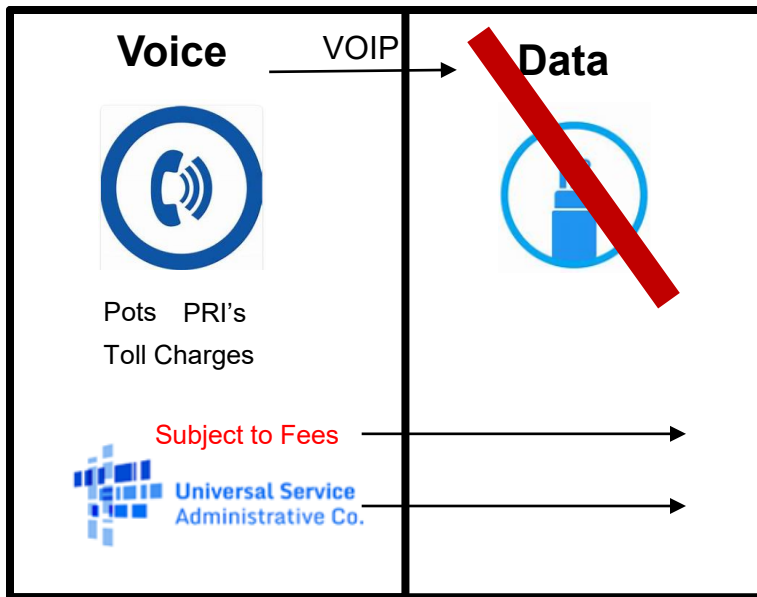


“Secret” Exemptions

Federal Universal Service Fund (FUSF)



Communications Act
1996



June 2006

the FCC voted to require providers of VoIP services to contribute to the Universal Service Fund the same way traditional telephone services had been contributing

“Secret” Exemptions



Alice In Wonderland



Taxes/
Fees/
Surcharges

| | |
|------------------------|----------------------------|
| 2021 FCC Form 499-A 1 | |
| | |
| Block 1: Contributor I | |
| 101 | Filer 499 ID [If you don't |

Actual Tax Form
(Vendor)



Federal Universal
Service Fund

“Secret” Exemptions

Federal Universal Service Fund (FUSF)



64.9%

Of Total Revenue is considered to be Interstate

Line 116 Included

Mobile Voip Local
Long Distance

Line 117 Excluded

Internet Text Cable
Non connected Voip
Intrastate Consulting
International

| Historical billed revenues with no allowance or deductions for uncollectibles. See Instructions. | Total Revenues (a) | Interstate Revenues (b) | International Revenues (c) |
|--|-----------------------|----------------------------|-------------------------------|
| 115 Telecommunications provided to other universal service contributors for resale as telecommunications or as interconnected VoIP | | | |
| 116 End-user telecommunications revenues including any pass-through charges for universal service contributions, but excluding international-to-international revenues | | | |
| 117 All other goods and services | | XX | |
| 118 Gross-billed revenues from all sources [sum of above] | | XX | |
| 119 Projected gross-billed end-user interstate and international telecommunications revenues including any pass-through charges for universal service contributions, but excluding international-to-international revenues | | | |
| 120 Projected collected end-user interstate and international telecommunications revenues including any pass-through charges for universal service contributions, but excluding international-to-international revenues | | | |

Column (b) and (c) not required for Lines 117 and 118

“Secret” Exemptions Federal Universal Service Fund (FUSF)

Can a vendor Overcharge for FUSF?

COMCAST
BUSINESS

| | |
|---|-----------------|
| Local Billing Reference Number: | |
| Recurring Charges | 2,223.00 |
| Total Customer Charges | 2,223.00 |
| Taxes, Surcharges, and Fees | |
| Important Message | |
| <p>The Regulatory Recovery Fees (RRFs) and Universal Connectivity Charge (UCC) are neither government mandated nor taxes. The RRFs are assessed by Comcast to recover certain federal, state, and local regulatory costs related to your service. The UCC is a fee assessed by Comcast to recover its contribution to the Federal Universal Service Fund (USF). On a quarterly basis, the FCC modifies the USF contribution rate, which may be accessed at www.fcc.gov/omd/contribution-factor.html</p> | |
| Comcast Surcharges | |
| License Tax (City) | 225.23 |
| Universal Connectivity Charge | 733.59 |
| Total Comcast Surcharges | 958.82 |

$$\frac{\$733.59}{\$2,233.00} = 33\%$$

FUSF Rate = 33%



Of Total Revenue is considered to be Interstate

$$\text{Using Safe Harbor} \\ \$2,233 * 64.9\% * 33\%$$

= \$478.24

Is vendor collecting \$733.59
But only passing along \$478.24?

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* Follow the Money * Connect the Dots * Critical Thinking

“Secret” Exemptions

Federal Universal Service Fund (FUSF)



Problem – Not enough Revenue



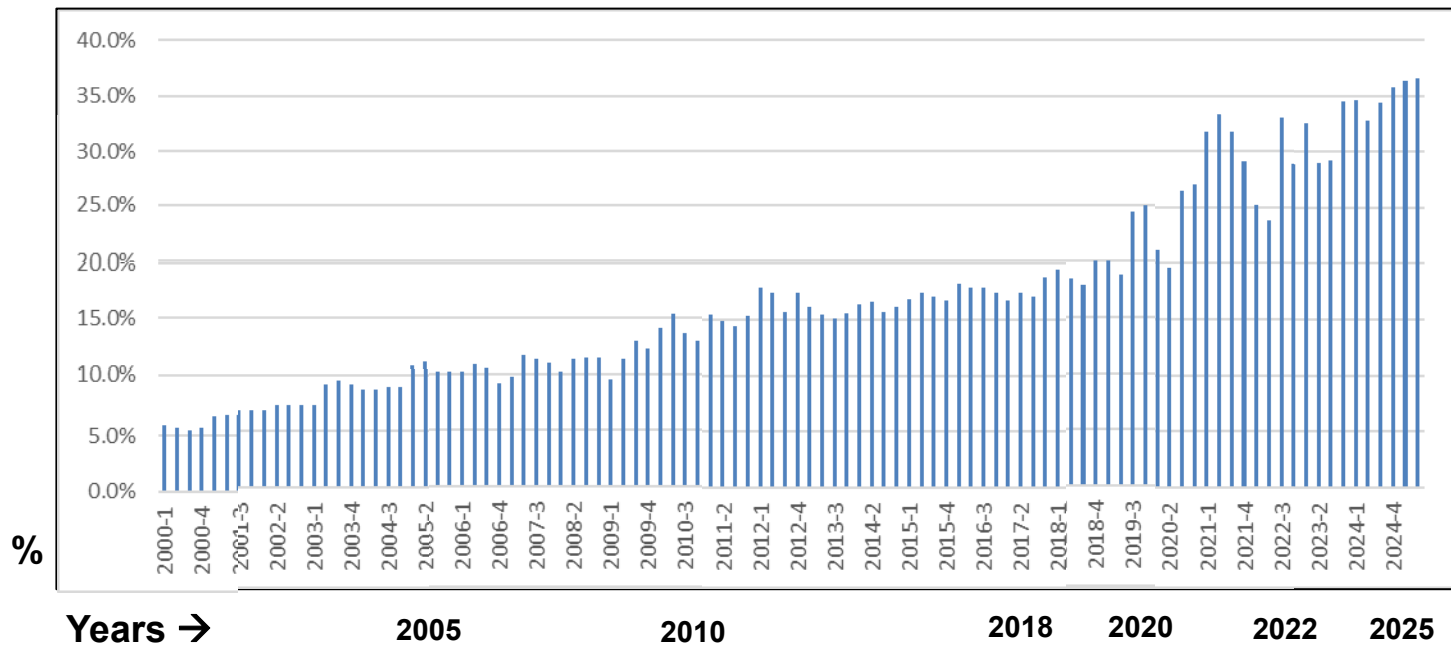
Solution – Just Increase Rates



“Secret” Exemptions

Federal Universal Service Fund (FUSF)

Inflows (Revenue)



“Secret” Exemptions Federal Universal Service Fund (FUSF)



Non-Profit Organization
Conservative

v.



July 24, 2024



Unconstitutional

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“Secret” Exemptions

Federal Universal Service Fund (FUSF)



Supreme Court

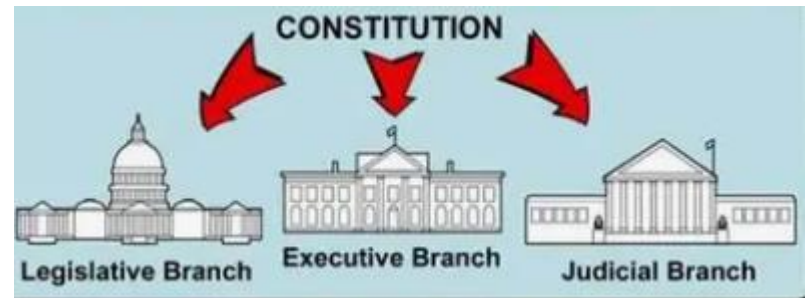


March 26, 2025

v.



“Non-Delegation Doctrine”



Delegate “taxing” →

“Secret” Exemptions

Federal Universal Service Fund (FUSF)



v.



June 28, 2025



Brown
Jackson



Sotomayer



Kagan



Roberts



Barrett



Kavanaugh



Gorsuch

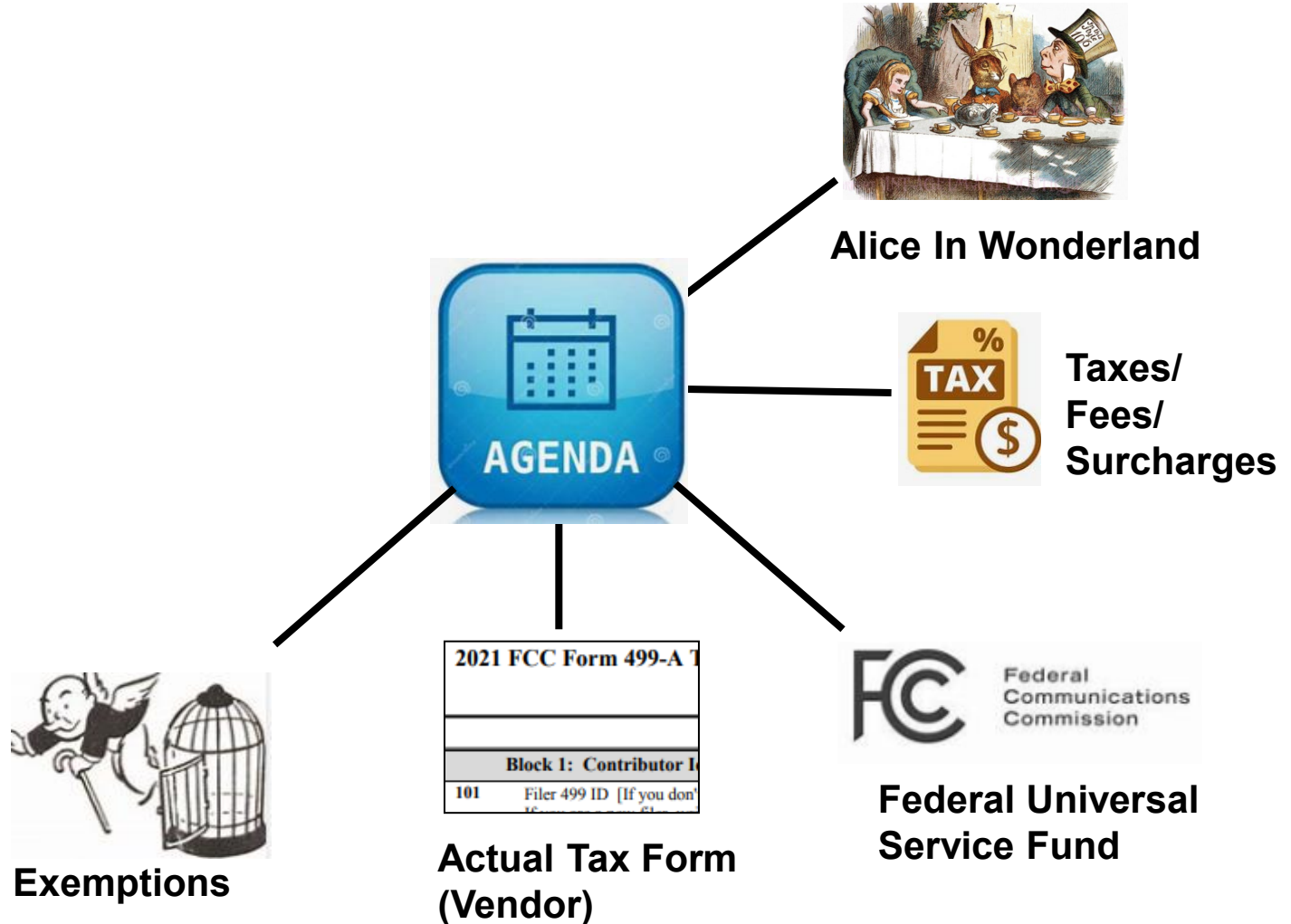


Alito



Thomas

“Secret” Exemptions



“Secret” Exemptions

Federal Universal Service Fund (FUSF)



Exemption #1



| 2021 FCC Form 499-A Telecommunications Reporting Worksheet (Reporting 2020 Revenues) | |
|--|--|
| >>> Please read instructions before completing.<<< | |
| Annual Filing – due April 1, 2021 | |
| Block 1: Contributor Identification Information | During the year, filers must refile Blocks 1, 2 and |
| 101 | Filer 499 ID [If you don't know your number, contact the administrator at (888) 641-8722. If you are a new filer, write "NEW" in this block and a Filer 499 ID will be assigned to you.] |
| 102 | Legal name of filer |
| 103 | IRS employer identification number [Enter 9 dig |
| 104 | Name filer is doing business as |

Pass Through Organizations “Reseller” – Does not Pay FUSF

“Secret” Exemptions

Federal Universal Service Fund (FUSF)



Exemption #2



IntraState

InterState

Jurisdiction



Vs.

Police

~~CBI~~

~~FBI~~

Sales Tax

~~Sales Tax~~

Income Tax

~~Income Tax~~

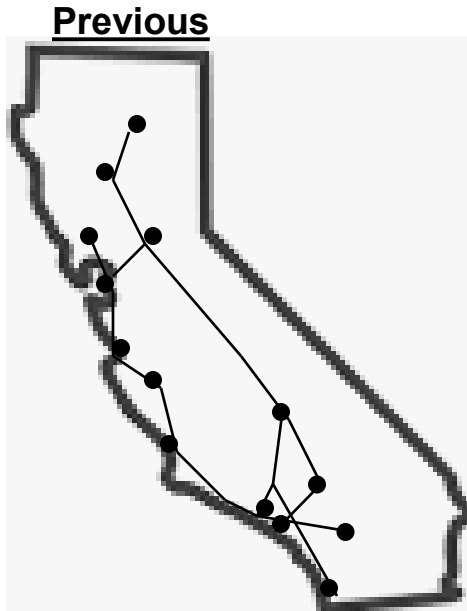
16th Amendment

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

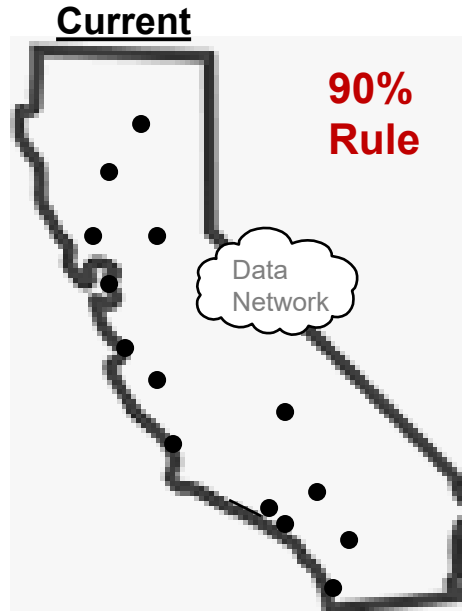
“Secret” Exemptions Federal Universal Service Fund (FUSF)



Technology Changes



Point to Point **Intrastate** Network



“Cloud” Network

“Secret” Exemptions

Federal Universal Service Fund (FUSF)

Exemptions



Reseller (Middleman)



Intrastate



Network within the state



Same Vendor - Multiple bills by state

International



Vendor B (20% of sites)

Vendor A (80% of sites)

De Miniums



Split Voice

Vendor A Access (Internet)



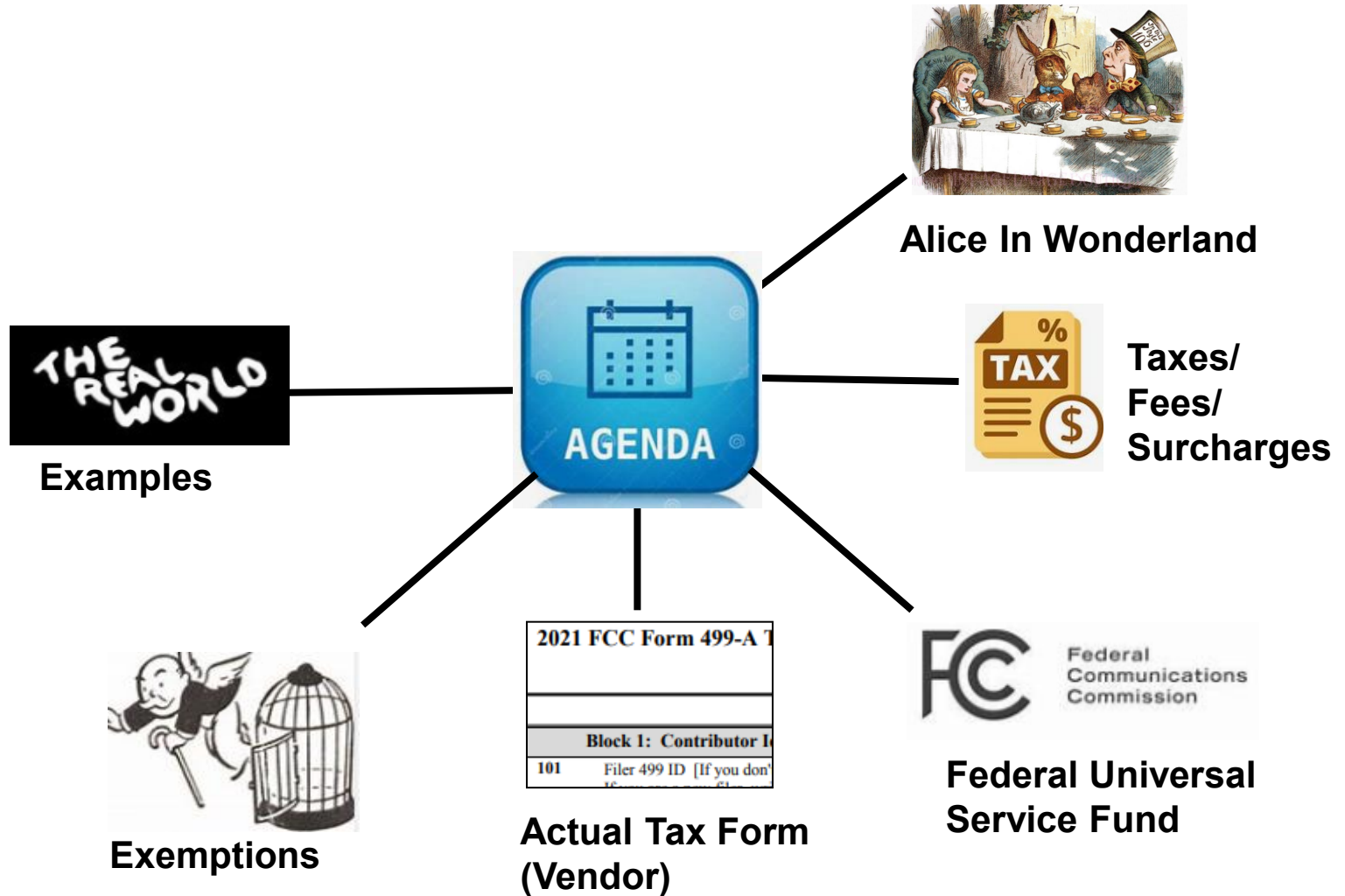
Vendor B Voice

Change Vendors



Does not pass through charges

“Secret” Exemptions



“Secret” Exemptions

Federal Universal Service Fund (FUSF)



3 Real World Exemptions

“Secret” Exemptions

Federal Universal Service Fund (FUSF)

Example 1 – Health Clinics

Stonewall 1



No Response



DENIED

Stonewall 2



Form 499-A



DENIED

Stonewall 3



Rural Health



DENIED

Stonewall 4



“Uncertain”



DENIED



“Secret” Exemptions

Federal Universal Service Fund (FUSF)



Example 2 – Credit Union



California - Offices

Out of State – Backup Site

1) Backup Vendor - Backup Site (Move Intrastate)

2) Traffic Statistics

90% threshold – **Intrastate** Traffic

3) Segregate Accounts

Account A - 3 Intrastate Sites (FUSF exclusion)

Account B - 1 Interstate Site (FUSF applied)

Monthly Invoice = \$8,500

Monthly **Savings** = \$1,700

“Secret” Exemptions Government Entity



REGULATORY FEES FACT SHEET

Federal Communications Commission
45 L Street, N.E.
Washington, D.C. 20554

September 10, 2021

DA 21-1142

REGULATORY FEE EXEMPTIONS FOR FY 2021

General Exemptions

This Fact Sheet provides information about those entities that are exempt from payment of regulatory fees. **Government entities are not required to pay regulatory fees.** Non-profit entities (exempt under Section 501 of the Internal Revenue Code) also may be exempt. The Commission requires that any entity claiming exempt status submit, or have on file with the Commission, a valid IRS Determination Letter documenting its nonprofit status or certification from a governmental authority and attesting to its exempt status. Licensees that are incorrectly identified as exempt from regulatory fees are advised to contact the Commission’s Financial Operations Help Desk at (877) 480-3201, Option 6, or (202) 418-1995.

“Secret” Exemptions Government Entity



zoom Support

Products

Solutions

Resources

Plans & Pricing

Are there any special exemptions applicable for government, schools, and non-profits under which the Federal USF or State USF will not be charged?

No, as of July 1, 2021, all government, schools, non-profits and other tax exempt customers will have Federal USF passed through to their bill. Under FCC rules and policies, only telecommunications service providers (including resellers) that pay Federal USF contributions directly to USAC are typically exempt from paying the Federal USF charges to underlying providers such as Zoom Voice Communications

“Secret” Exemptions

Who Knows?

Welcome to Vendor Roulette



Red = No

Black/Green = Yes

Older vs. New Vendor

Larger vs. Smaller

How can you find out?

Ask for Billing Example



“Secret” Exemptions Questions/Objections

* Eligible?



Primarily **Intrastate**

* Skeptical?



Avoidance



vs.

Evasion

IRA
Mortgage Deduction
Municipal Bonds

Not Reporting Income
Inflating Expenses

Other companies are taking advantage of this loophole



* Why haven't we heard about this?

*Who is Responsible?
Vendors- uninformed customers*



* Worth the Fight?



Is the Squeeze worth the Juice?

Example 3 – NJ Hospital



* Set Expectations

May Be Eligible
May Not be Easy
Not Guaranteed



“Secret” Exemptions Questions



Do you or your organization prefer to pay more than necessary?

Are you “Missing Out” on a way to exempt or mitigate a major cost item (Fee)?

“Secret” Exemptions

Takeaways

Do You have Direct Responsibility?

Yes Take action?

Yes Your Next Steps?

No Why Not?

No Bring up with the appropriate Decision Maker?

Yes See Script (next slide)

No Why Not?



“Secret” Exemptions

Takeaways

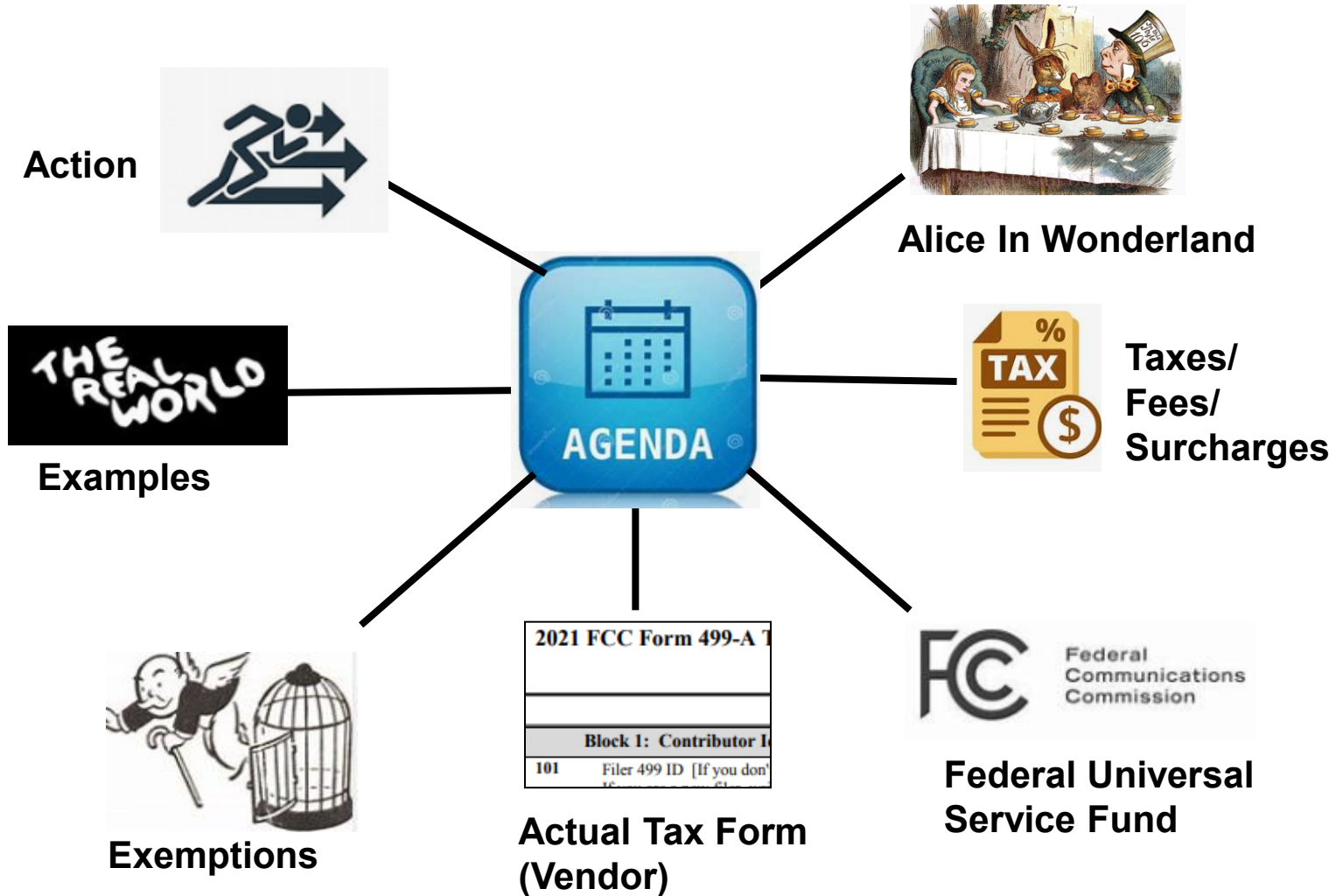
Suggested Script

“I learned that we may be missing out on an exemption that could significantly reduce our IT/Voice expenses.

*It is a strange fee that no one really understands.
And in fact, it has been ruled unconstitutional.
Yet, we will continue to pay for this fee ad infinitum.*

*I have the presentation that explains all of this.
I can share this information with you.”*

“Secret” Exemptions



“Secret Exemptions”

Conclusion



for Me

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