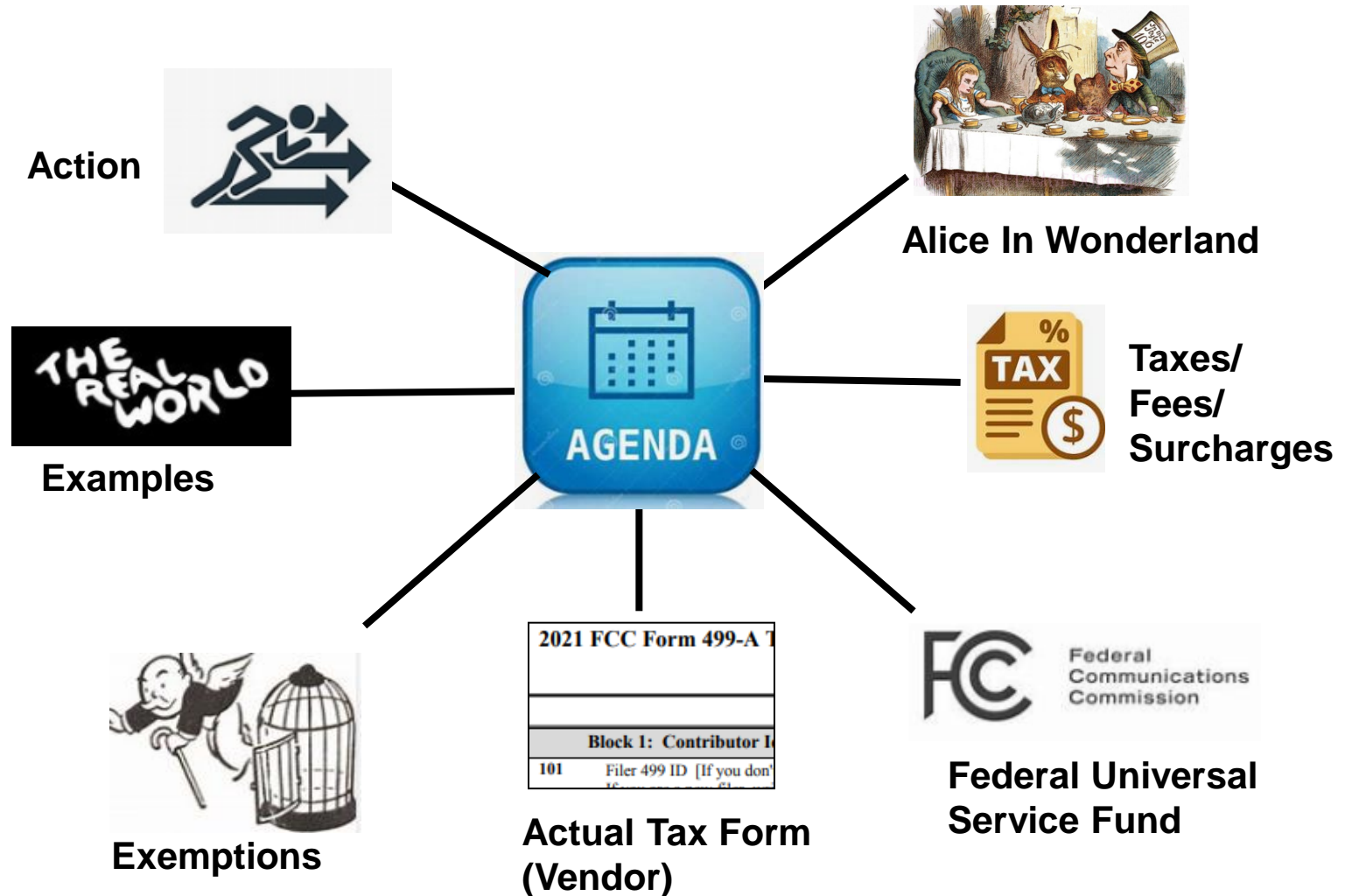


“Secret” Exemptions

That Can Reduce your IT/Telecom Bills by 33%

Art Yonemoto
Yonemoto & Associates

“Secret” Exemptions



“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

Background

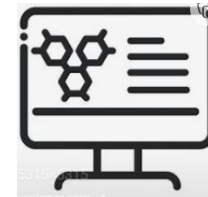
Art Yonemoto



**University of California
Berkeley**



Bachelor



**Computer
Science**



**Master of
Business
Administration**



Bank of America

ROLM



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

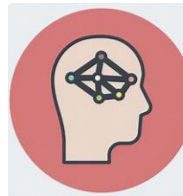
Federal Universal Service Fund (FUSF)



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

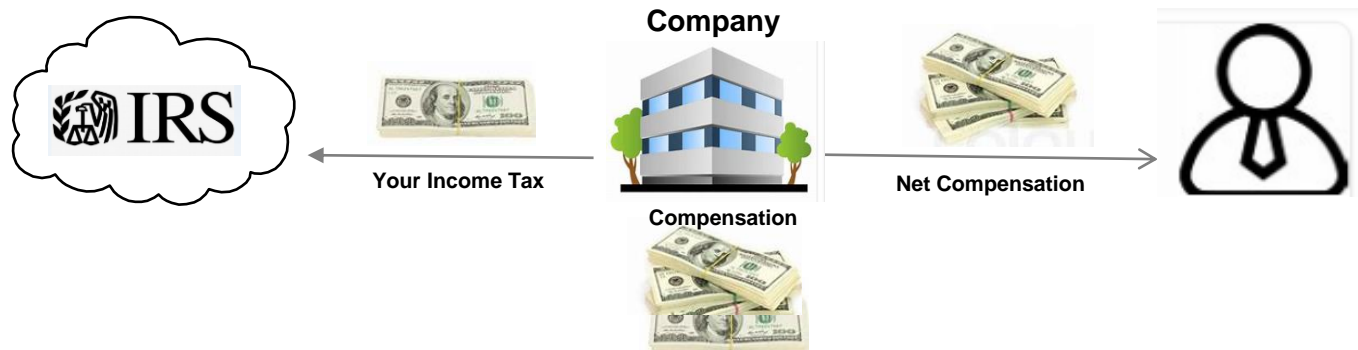
Consumer Tax

State
Sales Tax



Income Tax

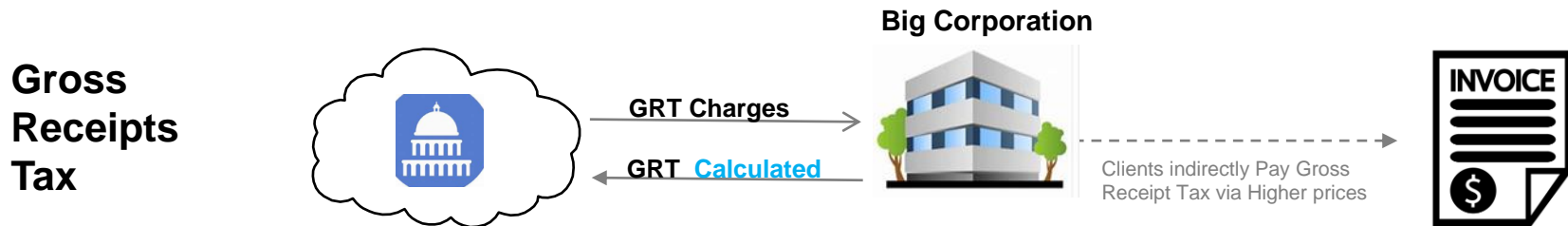
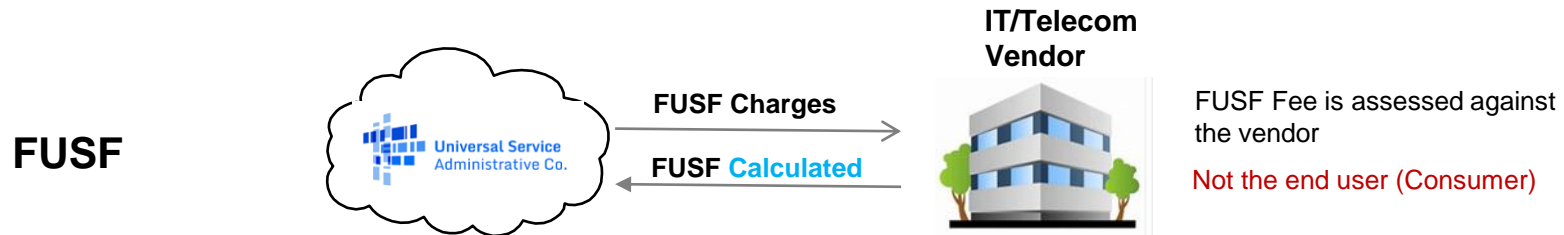
Federal



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

“Secret” Exemptions



Alice In Wonderland



Taxes/
Fees/
Surcharges



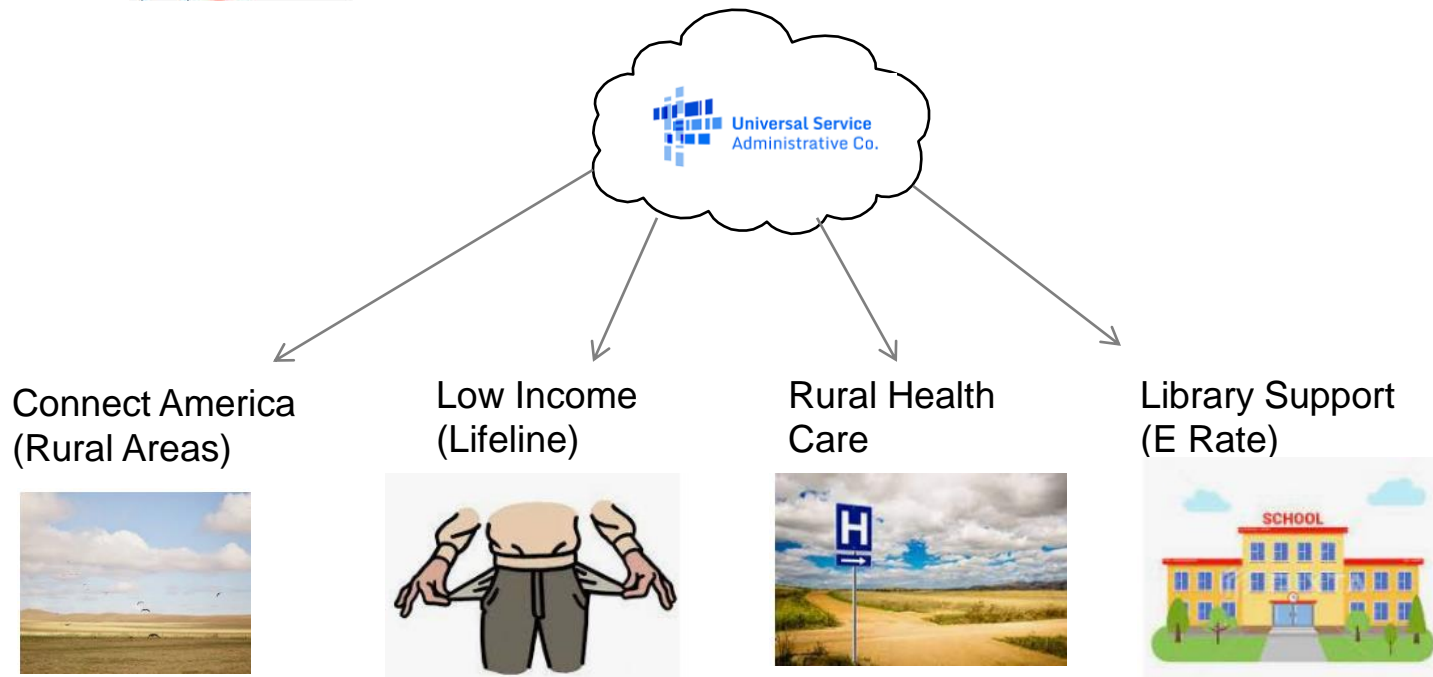
Federal Universal
Service Fund

“Secret” Exemptions

Federal Universal Service Fund (FUSF)



**Communications Act
1996**

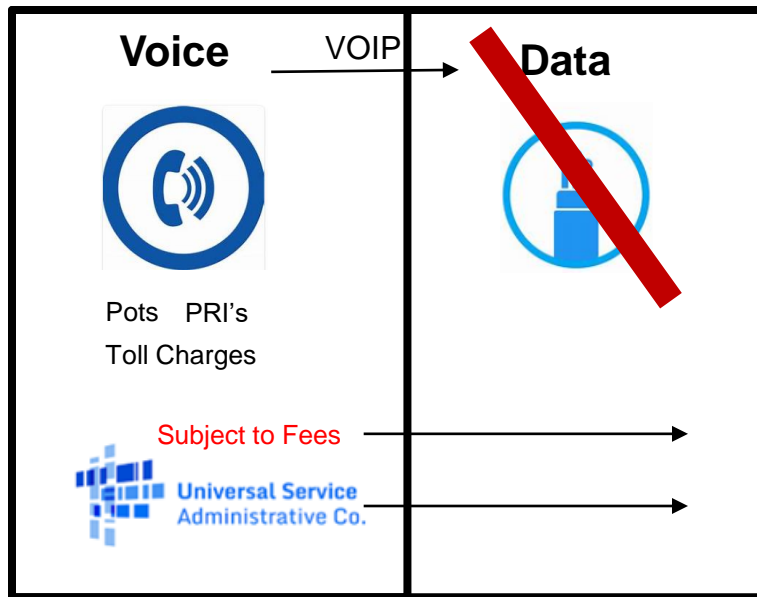


“Secret” Exemptions

Federal Universal Service Fund (FUSF)



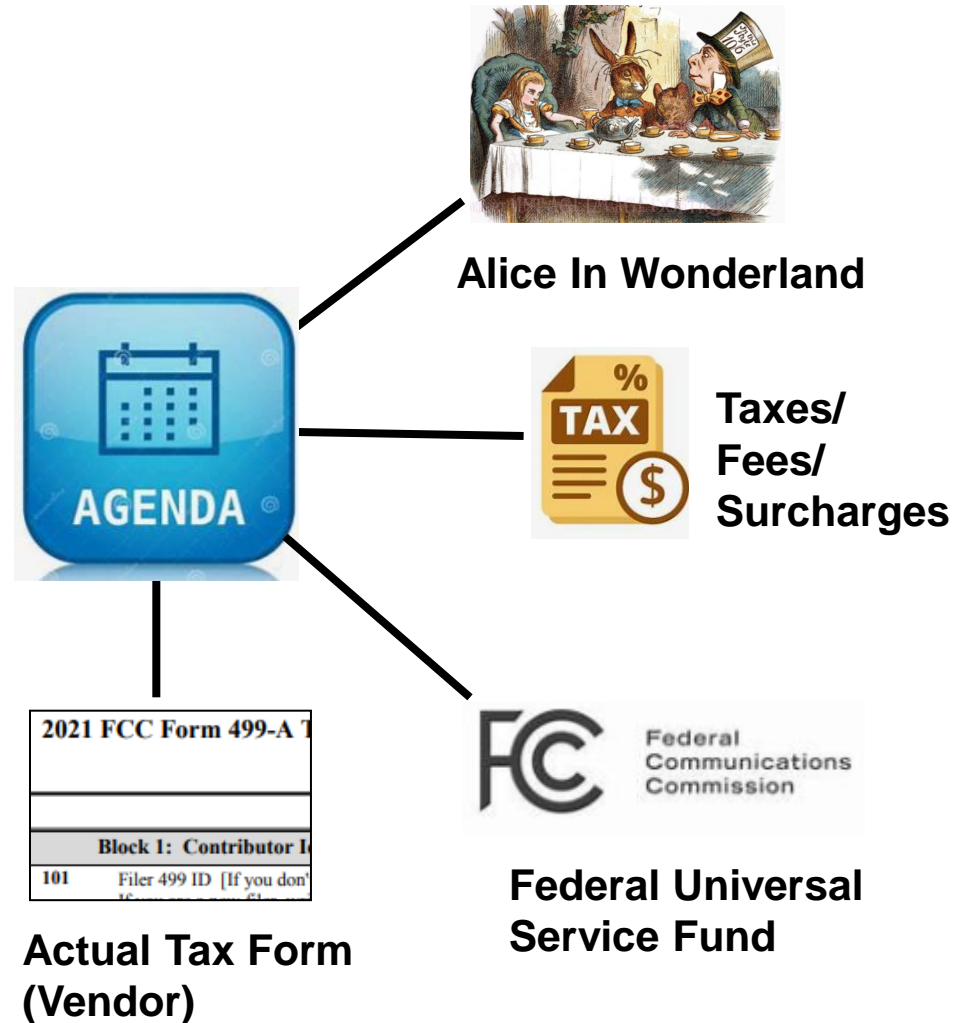
Communications Act
1996



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



“Secret” Exemptions

Federal Universal Service Fund (FUSF)



**Vendor
Perspective**



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 | | | |
| 118 | Gross-billed revenues from all sources [sum of above] | | XX | Column (b) and (c) not required for Lines 117 and 118 |
| 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 | | | |

“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%

 **SAFE HARBOR 64.9%**

Of Total Revenue is considered to be Interstate

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



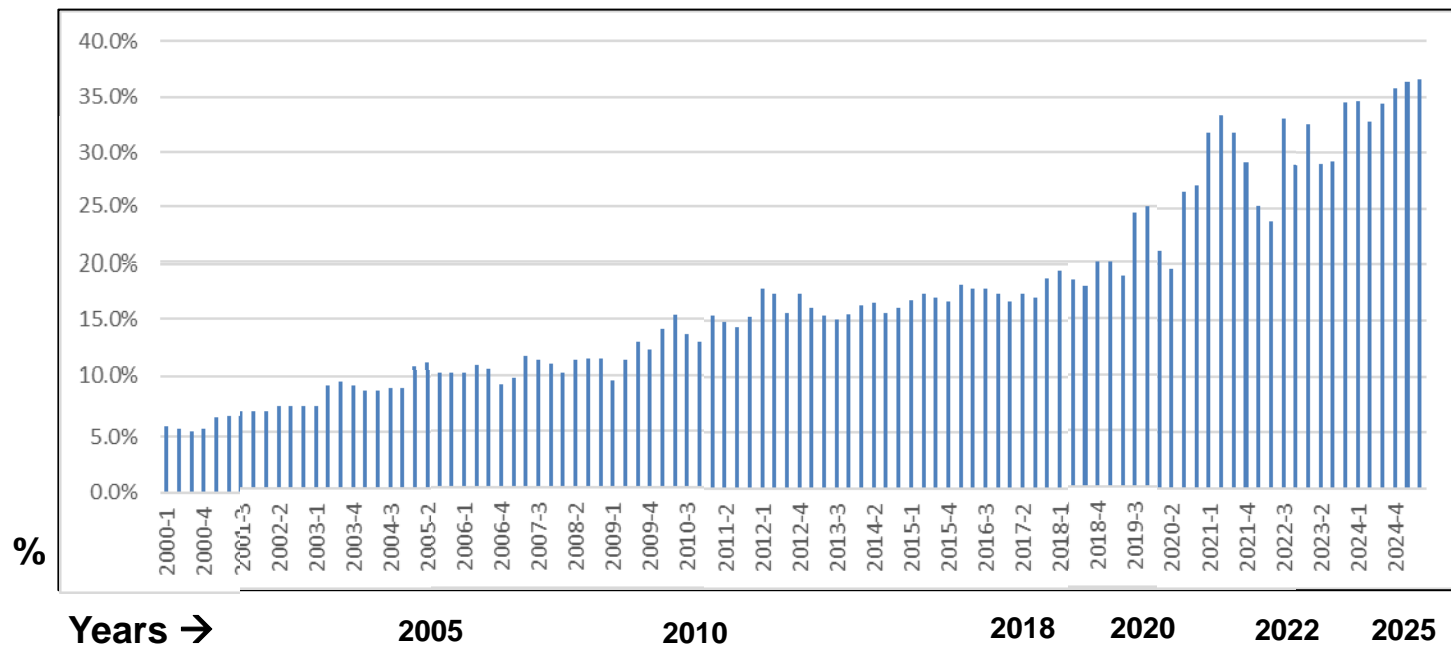
Solution – Just Increase Rates



“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)



v.



March 26, 2025



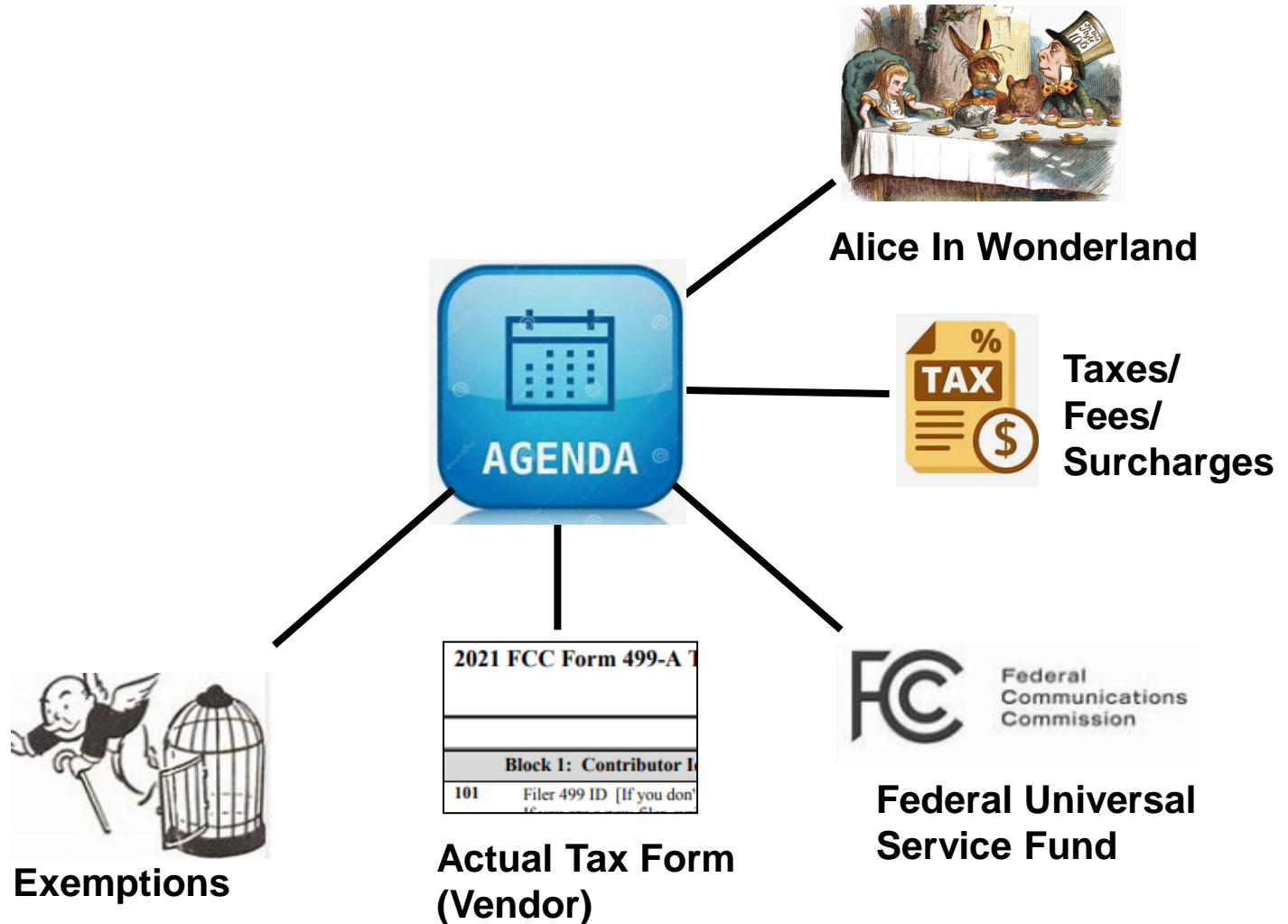
Neil Gorsuch



Prevailing Wind

Uphold the
FUSF Fee in
some form

“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.

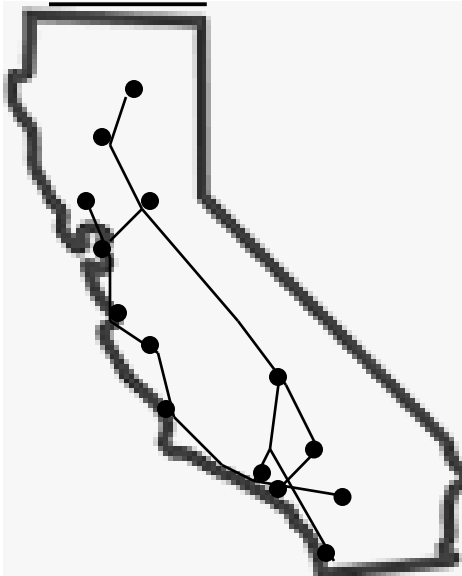
“Secret” Exemptions

Federal Universal Service Fund (FUSF)



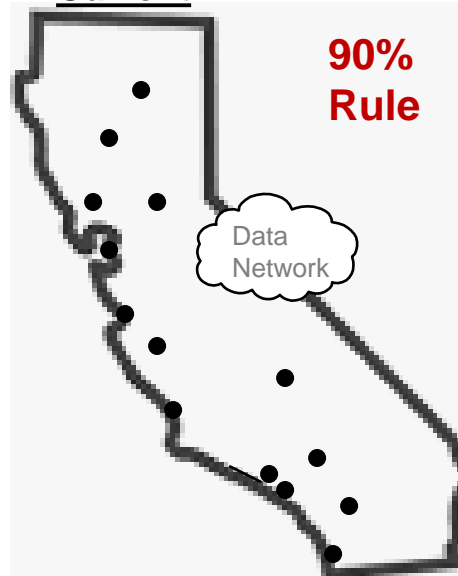
Technology Changes

Previous



Point to Point Intrastate Network

Current



“Cloud” Network

**90%
Rule**

*90% Intrastate
Traffic*

“Secret” Exemptions

Federal Universal Service Fund (FUSF)

Exemptions



**Reseller
(Middleman)**



Intrastate



Network
within the
state



Same Vendor -
Multiple bills by
state

International



De Miniums



Split Voice

Vendor A
Access (Internet)



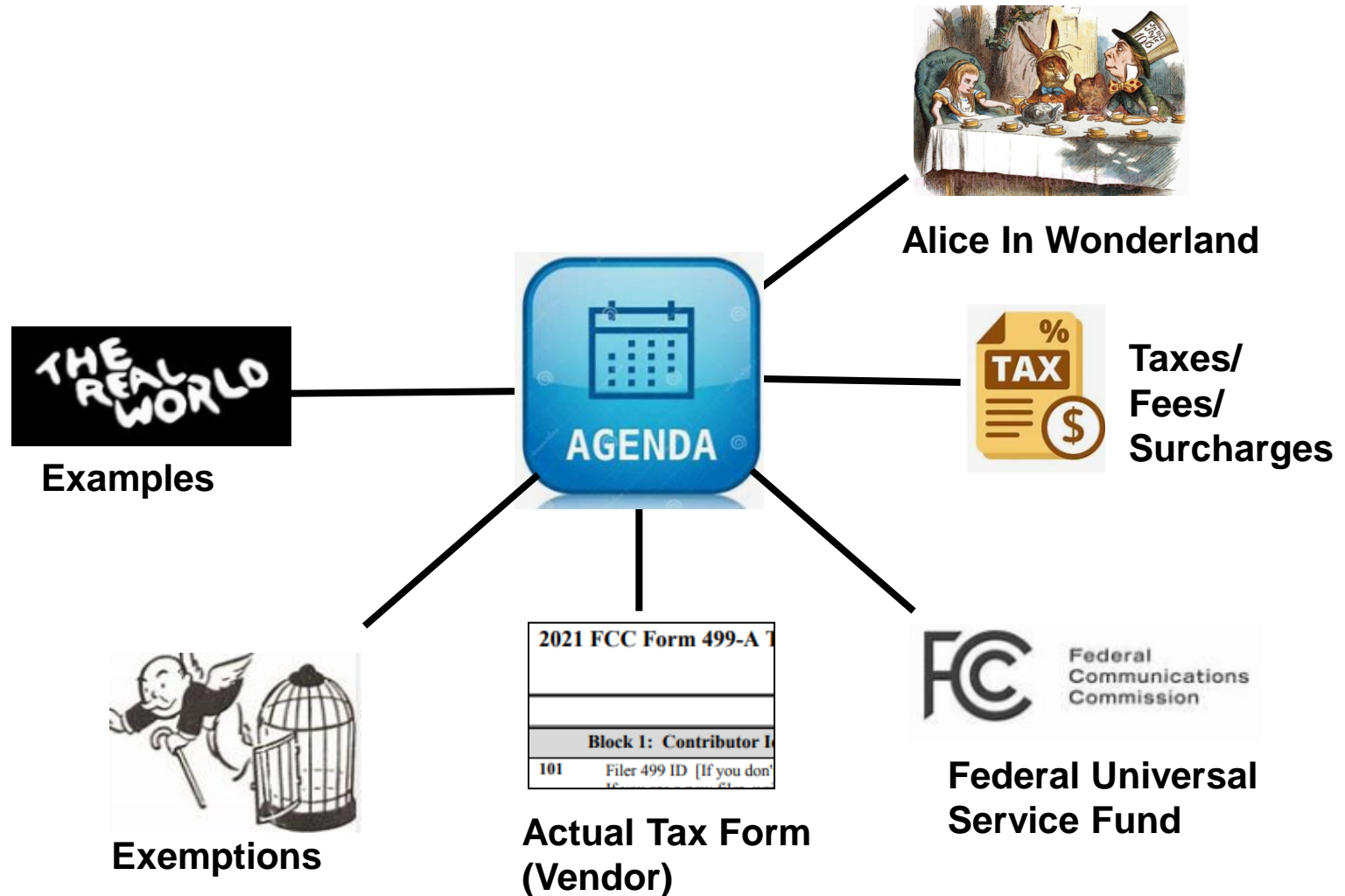
Vendor B
Voice

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



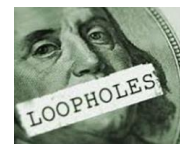
vs.

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



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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

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

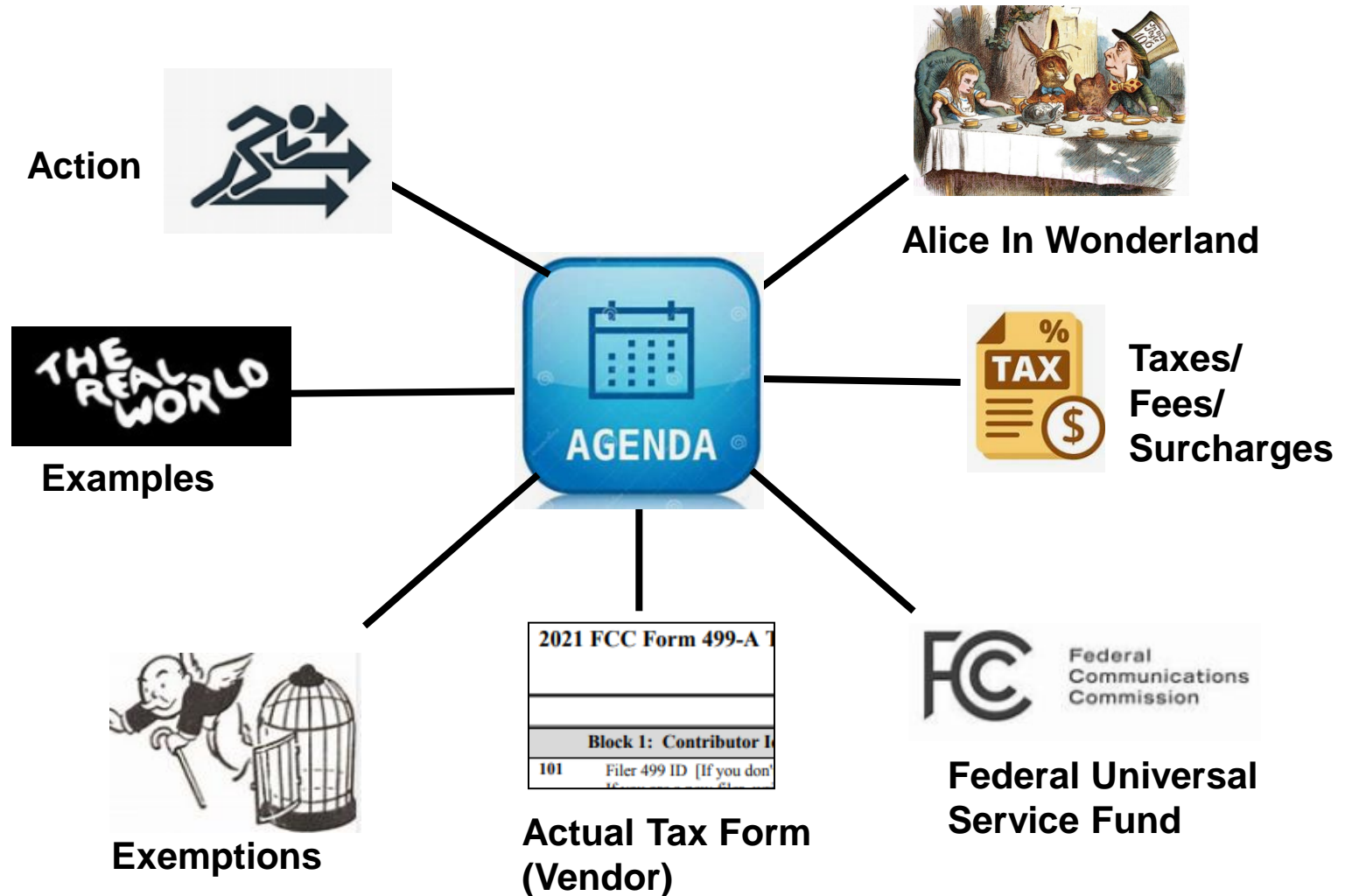
Suggested Script

“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

Art Yonemoto

Yonemoto & Associates

(925) 551-5300

(925) 800-3173 (mobile)

ayonemoto@yonemotoassociates.com

Yonemoto & Associates

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