

# International Prepaid Card Providers Petition FCC to File USF Form 499As

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A [group of international prepaid card](#) companies have petitioned the FCC for a rule change that will allow them to file their own FCC Form 499As to cover the universal service fund assessments on their traffic. The companies contend that the current rule unfairly punishes them and causes them to overpay into the USF by millions of dollars. Because they have virtually no U.S. domestic calling, the companies qualify for the FCC's "88-12" rule treatment; that rule instructs carriers with more than 88% of their traffic being international to pay USF only on their domestic U.S. revenues. But another FCC rule tells carriers with "de minimis" amounts of U.S. domestic traffic not to file the Form 499A at all, instead being treated as "end users" whose traffic is lumped into that of their underlying carrier and paid for by that carrier. A carrier is de minimis when its contribution to the USF would be less than \$10,000. The combination of these rules causes many international carriers to lack the ability to file their own Form 499A because they are de minimis, but when their traffic is lumped in with another carrier that does not qualify for 88-12 treatment, the international carrier is then charged USF on its full volume of traffic. For example, a carrier with \$9,920,000 in international revenue and \$80,000 in domestic U.S. revenue would have a USF assessment of about \$9,600 ( $\$80,000 \times 12\% = \$9,600$ ). That would make the carrier de minimis and require it to report its revenue to its underlying carrier rather than file its own Form 499A. But in many cases that underlying carrier does not itself qualify for 88-12 treatment and thus must pay \$1,200,000 on the \$10,000,000 of revenue realized by its international wholesale customer. This amount is then passed through to the wholesale customer. As a result, the international company must pay \$1.2 million to its vendor rather than \$9,600 to the USF. The Petition to the FCC asks the agency to allow international carriers in such circumstances to file an FCC Form 499A of their own and pay directly rather than through their underlying carrier. The Petition has gone on public notice and comments may be found [here](#).