

AT-A-GLANCE | OCTOBER 2014

FCC FORM 499 USAC DEBT COLLECTION PROCESS & TIMELINE

Unpaid invoices issued by the Universal Service Administrative Company (“USAC”) by a telecommunications service provider can result in burdensome sanctions for that carrier. Under the Debt Collection Improvement Act of 1996 (“DCIA”), USAC is required to impose interest on unpaid invoices, and inform service providers of the consequences of not paying outstanding debts to USAC since such debt is considered a debt owed to the United States government.

Specifically, USAC will charge interest on an unpaid invoice at the annual rate equal to the U.S. prime rate as of the date of the delinquency plus 3.5% from the date the contribution was due. If the debt remains unpaid for 90 days or more, service providers will be charged an additional penalty of 6% annual interest for any part of the debt that is more than 90 days late. If the debt remains unpaid for 120 days or more, the full amount of the outstanding debt will be transferred to the U.S. Department of Treasury for debt collection plus 28% for payment of administrative costs associated with processing and handling the delinquent claim.

However, the DCIA Interest and associated penalties will be waived if a provider pays a delinquent invoice within 30 days of its due date. Also, companies that are classified as *de minimis* Federal Universal Service Fund (“FUSF”) contributors pursuant to their FCC Form 499-Q filing will *not* be assessed a late filing fee as *de minimis* filers are not required to file this form. However, such a waiver does *not* apply to late filing sanctions associated with a company’s FCC Form 499-A filing, as it is a required filing regardless of *de minimis* status.

I. Delinquent USAC Payment/ Debt Timeline

Days Late	Penalty/ Action Taken
1	Filer’s account is subject to Red Light Status and Interest Assessed at the annual U.S. prime rate (as of the date of delinquency) plus 3.5% from the due date
30	Deadline for invoice payment to avoid DCIA interest
90	Assessment of an additional penalty of 6% annual interest
119	Deadline for payment/ settlement of debt w/ USAC/ FCC
120	Debt transferred to U.S. Department of Treasury for collection and is subject to 28% interest penalty for administrative costs
120 +	Debt must be paid/ settled with the U.S. Department of Treasury

II. Monthly Delinquency Notices

FUSF contributors that are behind on FUSF payments will receive delinquency notices from USAC on a monthly basis reminding them of their obligation. Each notice represents one month of unpaid contributions, and identifies the interest accrued on the outstanding balance. Contributors could receive more than one notice a month if it is more than one month behind in payment.

III. Red Light Rule & Status

With respect to FUSF obligations, when a provider's account becomes delinquent by *one day*, the company and its affiliates linked by a shared taxpayer identification number ("TIN"), will be subject to the Federal Communications Commission's ("FCC") Red Light Rule, and will be in Red Light status. The Red Light Rule requires the FCC to withhold action on any application or request for benefits for a company with delinquent non-tax debts (including FUSF payments). Furthermore, the FCC is required to dismiss such applications and requests if the delinquency is not resolved. In determining whether a filer is delinquent for purposes of the Red Light Rule, the FCC matches the filer's FCC Registration Number ("FRN") to the FCC's debts database where the filer's FRN will be linked to all other FRN's associated with the same TIN.

A filer may check the [FCC's Red Light Display System](#) to determine whether it has any outstanding FCC/ USAC debt. The system enables a filer to check the status of its account by individual FRN's. The system links other FRN's sharing the same TIN in determining the existence of outstanding debts for a filer.