

California Public Utilities Commission

Mobile Telephony Services (MTS) Surcharge

The California Public Utilities Commission (CPUC) provides the following information to telephone companies regarding the prepaid Mobile Telephony Service (MTS) surcharge:

What is the prepaid Mobile Telephony Service (MTS) surcharge?

"The Prepaid Mobile Telephony Services Surcharge Collection Act" (The Act) was enacted by Assembly Bill 1717, (Chapter 885, Statutes 2014, Perea).

The Act creates an entirely new point-of-sale mechanism for the collection and remittance of the taxes and fees assessed on prepaid wireless telephone service.

The Act aggregates the surcharges, taxes, and fees that are assessed on telephone services and creates the new prepaid MTS surcharge imposed on prepaid wireless telephone services in lieu of the individual fees.

What surcharges, taxes, and fees are included in the MTS surcharge?

- › CPUC Public Purpose Program Surcharges
- › CPUC User Fee
- › Emergency Telephone Users (911) Surcharge and
- › Local utility user taxes (UUT)

When does the MTS surcharge begin?

The Act becomes effective January 1, 2016, and remains in effect until January 1, 2020.

Who pays the prepaid MTS surcharge?

Any and all customers who purchase prepaid wireless telephone service in California from January 1, 2016, through December 31, 2017.

Who doesn't pay the MTS surcharge?

Starting January 1, 2017, only those retailers with more than \$15,000 in annual prepaid wireless revenue will be required to collect the prepaid MTS surcharge. Therefore, those customers purchasing prepaid wireless telephone services from a retailer with less than \$15,000 in annual prepaid wireless revenue will not be required to pay the MTS surcharge.

What portion of the prepaid MTS surcharge does the CPUC set?

The CPUC sets the MTS rates only for its Public Purpose Program surcharges and the CPUC User Fee. The CPUC does not set the rate for the 911 surcharge or local UUTs.

How much is the prepaid MTS surcharge?

The CPUC's portion of the MTS surcharge rate is 8.51%. This rate includes the six Public Purpose Program surcharges and the CPUC User Fee. This rate does not include the Emergency Telephone Users (911) Surcharge or the Local utility user taxes (UUT), which will also be assessed as part of the greater MTS surcharge. The total MTS surcharge will be calculated and posted by the Board of Equalization (BOE) on its website prior to January 1, 2016.

What are the individual and cumulative CPUC MTS rates?

The 2016 rates are listed in the chart below.

2016 CPUC MTS Surcharge and User Fee Rates					
CPUC Program	Base Rates 1/1/2016		Additional Increment for MTS		MTS Rates 2016
(a)	(b)	+	(c)	=	(d)
Universal Lifeline Telephone Service (ULTS)	5.50%	+	0.18%	=	5.68%
Deaf and Disabled Telecommunications Program (DDTP)	0.50%	+	0.03%	=	0.53%
California High Cost Fund-A (CHCF-A)	0.35%	+	0.04%	=	0.39%
California High Cost Fund-B (CHCF-B)	0.00%	+	0.03%	=	0.03%
California Teleconnect Fund (CTF)	1.08%	+	0.09%	=	1.17%
California Advanced Services Fund (CASF)	0.46%	+	0.04%	=	0.50%
California Public Utilities Commission User Fee	0.18%	+	0.03%	=	0.21%
Total	8.07%	+	0.44%		8.51%

How does the CPUC determine its MTS surcharge rates?

The current rates of the six Public Purpose Program surcharges and user fee vary from program to program, and are adjusted periodically in response to over- or under-collection, changes in program demand, or projected changes in expenses or revenues. However, these rates do not include recovery of expenses related to implementation or administration of the new MTS surcharge.

The CPUC must therefore adjust the current surcharge rates to recover the additional \$7,559,452 expense directly related to implementation and administration of the new prepaid MTS surcharge.

The CPUC has therefore added an increment to the current surcharge rates to recover the new and additional State costs of administering the MTS surcharge. The CPUC estimates this additional increment to be 0.44%. This increment was allocated based on the CPUC adopted program budgets for each of the Public Purpose Programs and the user fee.

Do I have to provide notice of the prepaid MTS surcharge to customers?

Yes, all prepaid wireless customers must be noticed at least 30 days prior to the January 1, 2016, effective date, or otherwise on or before December 1, 2015.

Do I have to disclose the prepaid MTS surcharge to the customer?

Yes. The MTS surcharge must be disclosed and separately stated on an invoice, receipt, or electronically at the time of the sale.

How do I calculate the prepaid MTS surcharge?

The prepaid MTS surcharge is calculated by applying the MTS surcharge rate to the intrastate portion of the prepaid wireless customer's charges.

How do I collect the prepaid MTS surcharge?

The CPUC does not define the method by which a carrier collects the surcharges due. However, as described above they must be calculated as a percentage of the intrastate portion of a customer's charges and separately stated at the time of purchase.

To whom do I report and remit the prepaid MTS surcharge?

For those prepaid wireless services sold (directly) by the carrier, the carrier will continue to collect, report, and remit the Public Purpose Program surcharges and user fee to the CPUC.

For prepaid wireless services purchased from a third-party retailer (indirectly), the retailer will collect, report, and remit the MTS surcharges to the BOE.

How do I report and remit the prepaid MTS surcharge?

All surcharges and fees due to the CPUC, including the new prepaid MTS surcharge, must be reported and remitted using the CPUC's Telecommunications and User Fee Filing System (TUFFS).

Where do I report and remit the 911 surcharge and local UUT portion of the MTS surcharge?

For information on how to remit the 911 Emergency Telephone surcharge and Local UUT fees to the BOE, please see: www.boe.ca.gov/industry/prepaid_mts_surcharge.html

What if I do not collect, report, and/or remit the prepaid MTS surcharge?

Carriers that are 90 days or more in arrears in reporting and remitting surcharges may be subject to administrative or judicial collection actions and/or revocations of their authority to operate in California.

How long must I maintain records related to the collection and remittance of the prepaid MTS surcharge?

Carriers are expected to maintain data for at least five (5) calendar years, unless specifically authorized otherwise by a CPUC order or a CPUC Director's letter.

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