



Telephone Taxes, Fees and Surcharges

Below is a summary of some of the regulatory charges that appear on your telephone bill each month:

FEDERAL CHARGES

Federal Excise Tax – Mandated by the federal government on local telecommunications service.

Subscriber Line Charge (SLC) – The SLC was established by the Federal Communications Commission (FCC) to cover costs of the local phone network used to originate and terminate interstate long distance calls that are not recovered through charges paid by long distance companies.

Federal Universal Service Charge (FUSC) – The Universal Service Fund is a federal program funded by the Federal Universal Service Charge (FUSC). The program is designed to keep local phone services rates affordable in all areas of the United States, including higher cost rural areas. The fund also supports schools and libraries, rural health care providers, and low income consumers. This rate may change quarterly.

Access Recovery Charge (ARC) – As permitted under the FCC's rules (which became effective December 29, 2011), the Access Recovery Charge enables OTZ to recover from end user customers a limited portion of revenues lost due to FCC mandated reductions in intercarrier payments.

ALASKA STATE CHARGES

Network Access Fee (NAF) – The Regulatory Commission of Alaska (RCA) adopted a new Intrastate Access structure to lower the rates that long distance phone companies pay for using the local exchange companies' networks. As a result of the change, the Commission instituted a Network Access Fee or NAF beginning April 1, 2005. Although not required, the surcharge provides an opportunity for long distance carriers to reduce in-state long distance calling rates.

Enhanced 911 (E-911) Emergency System Surcharge – The E-911 system provides support for emergency communication services provided by municipalities. The surcharge is authorized by Alaska law (AS 29.35.131-29.35.173). The statutes provide that an E-911

surcharge of up to \$2.00 per month for local access line and wireless telephone number may be imposed where an enhanced 911 system is utilized. OTZ remits the proceeds from these surcharges directly to the municipalities that have adopted them by ordinance.

Regulatory Cost Charge (RCC) – The Regulatory Cost Charge is a surcharge applied to all regulated in-state retail customer billings to pay the local and long distance phone companies' share of the budget of the Regulatory Commission of Alaska.

Alaska Universal Service Fund surcharge (AUSF) – AUSF is a surcharge on a customer's local and Intrastate services to pay the state portion of the Lifeline Program. This program helps qualified low income customers receive basic telephone service. The surcharge also provides financial support for certain high-cost rural companies and offers limited assistance for the operation of public interest pay telephones.

Universal Access Surcharge (UAS) for Telecommunications Relay Service – Alaska Statute 42.05.296 requires that telephone companies provide service to the deaf, hard of hearing and speech impaired subscribers so that they can communicate by telephone. The regulations require cost recovery through a surcharge added to the local service rate.

Local Sales Taxes – OTZ is required to collect local taxes on behalf of organized cities and boroughs within Alaska.