

Surcharges, Fees, and Taxes

In addition to the service charges invoiced by Midwest Telecom of America, Inc. ("MTA"), various surcharges, fees and taxes may be applied to your invoice based on the type of service you have and your geographic location. This guide is intended to help you better understand surcharges, fees and taxes which are assessed by MTA. This guide subject to change from time to time as the regulations and laws change.

➤ **Federal USF Surcharge**

The Federal USF Surcharge is a non-discountable monthly charge which is not a tax or a government mandated charge, but is assessed by Midwest Telecom of America, Inc. ("MTA") to recover contributions to the Federal Universal Service Fund ("USF"). The Federal USF was created to help ensure affordable telecommunications service for all consumers across the nation, especially for consumers in high-cost rural communities and for consumers with low income. The Federal USF also provides discounted services for schools, libraries, and rural health care facilities. All telecommunications providers are required to pay into the Federal USF. As permitted by FCC regulations, MTA has opted to bill the Federal USF Surcharge as a separate line item. The charge is equal to the Customer's total net Applicable Charges (as defined below), after applicable discounts and credits, multiplied by the Federal Universal Service Charge percentage. This percentage will be equal to the quarterly Universal Service Fund contribution factor established by the FCC in effect as of billing date, subject to change each quarter. The contribution factor is found at <http://www.fcc.gov/omd/contribution-factor.html/>.

Applicable Charges consist of revenue for jurisdictionally interstate and international telecommunications and interconnected VOIP services.

➤ **Cost Recovery Fee**

The Federal Cost Recovery Fee is a non-discountable charge which is not a tax or a government mandated fee, but is assessed by Midwest Telecom of America, Inc. as permitted by FCC regulation to recover cost of compliance associated with federal regulatory requirements. This charge is assessed to recover costs for valuable programs including, but not limited to, Federal Telecommunications Relay Service which enables communications services for the hearing impaired, the Local Portability Number Administration to enable consumers to keep their telephone numbers while switching to another carrier, and the Federal Regulatory Fee. The Federal Cost Recovery Fee percentage is subject to change as the cost of compliance changes and is assessed as a percentage of MTA telecommunications revenues at a rate of no greater than 3.6%.

➤ **E911**

State and local jurisdictions impose E911 fees on certain communications services in order to fund the provision of 911 emergency telephone services. These fees are administered by the states and local jurisdictions. E911 fees are intended to be passed onto the customer on the invoice. Non-profit organizations are generally subject to E911 fees, whereas they might be exempt from taxes or other fees. MTA collects E911 fees from customers when required by applicable state and/or local law.

➤ **State Utility or Gross Receipts Taxes**

Many states impose a tax on gross receipts of telecommunications service providers. Certain exemptions may exist for the type of entity making the purchase of services, including other utilities. MTA pays state utility and/or gross receipts taxes and collects them from customers when required (or permitted) by applicable state laws and regulations.

➤ **Sales and Use Taxes**

All states, with limited exceptions, impose some form of state level sales and use tax. This tax is generally imposed on the sale or use of tangible personal property and certain services. These taxes are imposed upon the consumer. In many states, local jurisdictions also impose a sales or use tax. Certain exemptions apply for sales for resale, and sales to certain types of entities including government customers, non-profit entities, etc. MTA collects sales and/or use taxes as required by state and/or local law.

➤ **Federal Excise Tax on Telecommunications Service**

MTA collects and remits federal excise tax on telecommunications service, as required by federal law. Certain exemptions apply for sales to government entities. Applicable federal excise tax is 3%.

➤ **State and Local Surcharges**

○ **State Universal Service Fund (USF)**

MTA may also be required to contribute to State Universal Service Funds (“SUSF”) on certain services. The funds may be used to assist in providing universal service and to support a variety of other programs at the state level. MTA collects applicable charges from its end-user customers. These charges are permissible pass-through surcharges but are not taxes or charges mandated by the government.

○ **Telecommunications Relay Services Fund (TRS)**

Some states also require contributions to State Telecommunications Relay Services (“TRS”) Funds to offset the cost of providing local transmission services that provide hearing or speech challenged individuals with the ability to use certain communications services. Many states require MTA to remit this fee to the governing authority. MTA collects applicable fees from customers and remits them to the relevant authorities.