

How to Understand Your Phone Bill

If you're like most business owners, the sheer complexity of your phone bill can be overwhelming. Chances are you simply look at the amount due and write a check rather than sift through pages of fine print and cryptic terminology.

But ignorance definitely is *not* bliss when you're dealing with the phone company. If you don't scrutinize your monthly statement, you may be paying too much. At the very least, you need to ensure that you are not being overcharged or erroneously billed for something you didn't order. Understanding your bill can also help you search for the best phone service deals.

The Bill

The typical telephone bill is divided into three sections. The first section provides a summary of the various charges detailed in the rest of the bill, including:

- Monthly charges
- Past-due amounts
- Discounts
- Charges for custom calling features
- Monthly recurring charges
- Total amount due

Taxes and Surcharges

The next section of your bill lists taxes or surcharges from your local carrier, long-distance carriers, and the Federal Communication Commission (FCC). They include:

A subscriber line charge (SLC). This federally ordered charge is capped at \$3.50 a month. It covers the cost of running a phone line from the local phone company into a subscriber's home.

A presubscribed interexchange carrier charge (PICC). Long-distance carriers pay this fee to local providers for infrastructure such as outside telephone wires, underground conduits, telephone poles, and other facilities that link customers to the telephone network. Since the FCC doesn't require long distance companies to pass this fee on to consumers, the charge appears on bills under a variety of names, depending on the company.

Universal service fund charge (USF). This charge, which varies by company, subsidizes local phone service to the poor and to rural areas, and for Internet access for schools, libraries, and rural health care providers.

Federal excise tax. Believe it or not, this 3 percent tax started as a temporary luxury tax in 1898 on telephone service to pay for the Spanish-American War. Proceeds currently go to the U.S. Treasury for general revenue purposes.

Gross receipts tax surcharge. States and municipalities assess this surcharge in different ways and at different rates. Proceeds go to local governments, which impose the surcharge on local phone company revenues.

Summary of Calls

The next section of the bill provides a detailed summary of all calls made during the last billing cycle. This information includes the date, time, and length of each call; the number called; and the cost of each call. Typically the bill categorizes calls by type — direct dial, calling card, or toll free — and by calling areas. Calling area types include:

Local toll. These include calls outside of your local calling area, but within your local access and transport area (LATA). These calls are also referred to as local toll or intraLATA calls. In most states, customers have a choice of companies for handling these calls, though some customers must dial an access code to reach an alternative provider.

Intrastate calling. Intrastate calling refers to calls that begin and terminate within the same state. Intrastate calls are long-distance calls or those that exceed the designated local calling area boundary.

InterLATA calling. This refers to calls made from your home LATA to another LATA within your state.

Interstate Calling. Interstate calling refers to calls originating in one state and terminating in another. For example, calls made between California and New York are considered interstate calls.

International. Refers to calls made from the U.S. to other countries around the world.

It's important that you read your phone bill each month to ensure that you're paying the correct rates, receiving the appropriate discounts, and being billed only for what you've actually ordered. Always be alert for any unusual charges, especially those with vague descriptions such as "service fee." If there's a regular charge on your bill that you don't understand, ask your provider to explain it. You may be paying for a service you never use.