

Annual Assessment Fee Explainer

In order to calculate individual assessment amounts, one must first understand two concepts: the unique sound recording count and the aggregate sound recording count:

- The unique sound recording count is the number of unique and royalty-bearing sound recordings used per month by the Licensee in Section 115 covered activities, such as would be reflected in the information required to be reported under Section 115(d), calculated as a monthly average over the respective calculation period.
- The aggregate sound recordings count is the total unique sound recordings across all licensees during relevant allocation period.

Assessments are quarterly with each quarter's industry-wide payments cut into two equal parts:

- 50% comes from payments made by all licensees, with each paying pro rata share based on its portion of the overall aggregate sound recordings count.
- 50% comes from a similar pro rata allocation among only those licensees reporting at least 7.5% of the overall aggregate sound recordings count.

There is also an annual minimum fee that must be paid at the beginning of each year. It is due by February 15, 2021, January 15, 2022 and by the later of January 15 or 30 days after the receipt of an invoice from the MLC beginning in 2023 and thereafter. The annual minimum fee is effectively a "nonrefundable down payment" against the licensee's overall assessment obligation for the year in that no amount is returned if the licensee's overall obligation does not exceed the annual minimum fee but additional amounts are not paid during the year unless and until the licensee's assessment obligation exceeds the amount paid as the annual minimum fee.

The annual minimum fee amount varies based on a licensee's unique sound recordings count during the *relevant collection period (the 12-month period ending the previous September 30)*;

- There is a \$5000 annual minimum fee for Licensees with less than 5000 unique sound recordings during the relevant collection period
- There is a \$60,000 annual minimum fee for Licensees with 5000 or more unique sound recordings during the relevant collection period