How was this policy developed?

This policy was developed by consulting the policies of several other universities and by sharing proposed drafts with many of the departments that will be most affected by the policy, the Operations Council and the Executive Council.

I have used a College owned cell phone for a long time with no problems. Why the change?

Recently cell phones have emerged as a problem in IRS audits, and in other audits, of governmental institutions, including higher education. Internal Revenue Service authority considers cell phone use a taxable fringe benefit if the business and personal use cannot be substantiated through detailed documentation.

Why does the College want me to own my cellular telephone?

There are three options within the policy, one that encourages employees to own their cell phones, and two that allows College-provided cell phones.

Employee-owned cell phones greatly simplify the entire cell phone program and result in each user having both freedom of choice and personal responsibility for his/her cell phone plan. This enables employees and the College to comply with IRS rules regarding the taxability of employee cell phones. The IRS considers cell phones to be “listed property.” As such, it requires detailed record keeping (IRS Section 274(d) (4), including (a) the amount of the expense, (b) the time and place of call, and (c) the business purpose for the call). The burden of this detailed record keeping typically outweighs the benefits of issuing College-provided cell phones.

This seems ridiculous. Why are you putting us through this?

While this may seem silly to some, the IRS takes this issue seriously. We must comply with government regulations. The IRS has already made cellular telephone use an audit issue for businesses and government institutions, including higher education.
So, how do I decide which option I want?

Your supervisor will decide whether you need a cell phone to perform your job duties, which option to select under the policy, and the amount of the stipend if Option 1 is selected. The policy precludes anyone making these decisions for himself/herself. It is important to maintain this independence in the decision making that could benefit an employee financially.

Who is going to pay for these services and equipment?

Your department is responsible for the costs of communication services and equipment incurred for business purposes from its operating budget. No additional departmental funds are provided as a result of this policy implementation.

As a department head, must I have all my employees with cell phones under the same policy option?

No. You will make choices based on the business needs for each employee. You may elect to have some employees provide their own cell phones and calling plans while other employees will be provided College cell phones and calling plans. You may also determine that some employees have no business need for cell phones. You should treat all employees with the same business needs similarly.

As a department head, must I use the same stipend for all my employees who pay for their cell phones and their cell phone plans?

No. You will make choices based on the business needs for each employee. You should treat all employees with the same business needs similarly.

If I am a supervisor, how do I select the correct stipend amount for an employee?

Because the stipend is taxable, the actual amount that an employee receives (after tax) will be less than the selected stipend amount. Departments are encouraged to determine an amount based on job function that is fair to the employee and the department. The stipend amount must be based on the business requirements of the employee’s position. The representative rates maintained by Finance and Operations are to be used for this purpose. If an employee’s responsibilities require cell phone equipment and/or a plan outside the parameters of the standards, the department may apply a nonstandard stipend with approval of the department head. This should be rare.

The rate chosen or approved is not intended to cover the full cost of the phone or the plan. This is because this option allows unlimited personal calling and it saves the employee from burdensome recordkeeping.
As a supervisor, may I approve of a combination of the two options under this policy? For example, elect Option 1 to provide a stipend to an employee for wireless phone service and buy a cell phone for the same employee under Option 2?

No. The options are mutually exclusive. If you elect to provide a stipend for an employee, it should be set considering the amount of business usage. Cell phone plans normally provide for significantly discounted, fully functional cell phones with contracts of one or two years. If the supervisor elects to have the College purchase the equipment and directly pay for the service, this can only be done under Option 2 or 3, which requires detailed recordkeeping.

I need my PDA to be in contact with my office. I think the College should pay for it and for my network access.

Cell phones, PDA, and other equipment should not be selected as an alternative to other means of communication -- e.g., land-lines, pagers, radio phones, fixed equipment/services -- when such alternatives would provide adequate but less costly service to the College. Business need, as determined by your supervisor and approved by a Vice President, will govern whether the College pays for any portion of your PDA under Option 1.

May I use a cell phone for personal calls when I purchase it with a taxable stipend from the College?

Yes. Because you own the phone, you have unlimited personal use and you do not have to document calls. This eliminates the need to carry one phone for business use and another for personal use.

I only make personal cell phone calls during “free” calling periods, i.e., evenings and weekends, or using “free” cellular to cellular calling. Because those calls are free, they do not count, right?

No. “Free” calls are actually part of the base cellular service plan. So, personal calls made during “free” calling times should be documented and reimbursed, under Option 2 or 3.

Even if I do not receive a stipend as a College faculty or staff member, am I eligible for the individual discounts the cellular vendors offer?

Yes.

What happens after my supervisor sends my stipend form into the Payroll Office?
Payroll reviews the request and establishes your per pay-period stipend payment.

**When and how should I expect to see my stipend?**

Your stipend will be reflected in your paycheck as an increase in your gross wages coded as “technology reimbursement.” The net increase in your pay will be less than the stipend due to withholding of income taxes. When your stipend commences depends on when your supervisor determines for it to start and when the form creating the stipend is submitted for processing.

**How can I change the amount of a stipend, or the account it is charged to?**

You cannot change this for yourself. Your supervisor may submit a new form.

**If I have questions on the stipend once I receive it who should I talk to?**

First talk to your supervisor. You may also need to contact the Payroll Department.

**Can I switch providers and keep my current phone number? How do I do that?**

Cell phone providers allow customers to keep the same phone number when changing providers. Check with the provider you are interested in to confirm they can do this and then contact Tanya Fuher to see how to proceed.

**If I switch to another provider, can I keep my current cell phone?**

No, if you have a college-provided cell phone, it is state property and will need to be turned in to Tanya Fuher and you will need to purchase your own. Providers normally require you to use one of their cell phone models anyway.

**I have been paying for personal calls made on the College owned cell phone. Am I meeting the IRS requirements?**

You are if you have provided detailed documentation of personal use and business use and have paid a pro-rata share of your total cell phone bill.
I document my personal calls by marking them on my cell phone bill or statement from my service provider. Is that enough substantiation?

Under IRS authority it is not enough to mark personal calls and say that all the rest are business calls. IRS substantiation requirements include the “amount of each separate expenditure, the amount of business/investment use, the date of the expenditure or use, and the business or investment purpose.” And . . . the IRS definition of adequate record keeping is that the cell phone user “shall maintain an account book, diary, statement of expense or similar record and documentary evidence which, in combination, are sufficient to establish each element of an expenditure.” IRS Regulation 1-274-57.

That seems like a lot of work.

That is why Option 1 is attractive. There is no recordkeeping and no limit on personal use of the service.

Is the stipend that I receive for my own cellular phone taxable?

Yes. The stipend amount is taxable income. Otherwise you would still be required to provide detailed documentation of your business and personal calls. The benefit of this being taxable is that there is no limit on personal calls.

The College provides me a cell phone with a plan that includes 600 minutes. I never exceed 600 minutes, including personal calls. Do I need to document personal calls?

Yes. IRS authority says that personal calls that are included in the base plan must be documented and reimbursed, or reported as wages. Our policy requires reimbursement.

How is my stipend set?

The Associate Vice President for Finance and Operations sets the representative rates annually for cell phone stipends. Your actual stipend is established by your supervisor by considering the amount of business use required for your job, and the benefits to you of unlimited personal usage and not having to perform recordkeeping.
What if my actual business usage exceeds the amount of the stipend that I receive?

The stipend amount chosen by your department should reflect your usage for a representative year. There will be periods where the business use will be lower and higher than the stipend. If you track business use and determine that it routinely exceeds the stipend chosen, speak with your supervisor regarding whether your department believes a different rate should be implemented.

Does everyone get a stipend for a personally-owned cell phone?

No. You should only receive a stipend if your job requires that you carry a cell phone when other less expensive means of communication are not adequate. Job responsibilities, not job title, will determine whether a stipend is warranted.

Who can I call for help on setting up my stipend?

The supervisor determines whether a stipend is warranted and the amount of the stipend, not the employee. The stipend amount is selected based on representative rates from the Associate Vice President for Finance and Operations.

Do I get retirement contributions or other benefits if I receive a taxable stipend for my cell phone?

No.

What types of cell phones and plans may I choose from?

For a non-College provided cell phone, you may choose any cell phone and plan you desire.

What about smart phones or PDA/Phone combinations?

These are covered under Option 1, but only if approved by a Vice President. Business-need will determine whether such equipment is required. If a need exists for a cell phone and the department opts to provide the employee a stipend, but the employee desires a PDA or smart phone, the College will provide a cell phone stipend. The employee may purchase a PDA, but the College will not cover the additional cost of that personal preference.
If I am authorized to use a smart phone to access College e-mail calendaring or other services, can the College recommend which devices will work best and will be supported by the College?

The Chief Information Services Officer will determine which device(s) will be supported by the IS department.

Is there a way to avoid withholding on my stipend?

To do so would require the same detailed documentation that taxing the stipend avoids.

Can anything be done to exempt a College-owned cell phone from this policy if it is used 100% for business?

No. College-owned equipment is only allowed under Option 2 and 3, which requires detailed recordkeeping.

I use a shared phone, or “duty phone.” I can’t keep records of other people’s calls, and I don’t want to be taxed for a stipend. What can I do?

Talk to your supervisor. There is a provision within the policy for duty phones that addresses your concerns. Provided that you make and receive only business calls on the duty phone and otherwise use it as directed by your supervisor, you will not receive a taxable stipend. Your supervisor needs to review the phone bill for non-business use.

How do I determine the personal call reimbursement amount if I have a College-provided calling plan?

Under Option 2, the Personal Use of College-Provided Communication Services form is required to be completed on a quarterly basis. The form walks you through the calculation, based on number of minutes, business and personal use and personal charges.

In the past, we have always been required to send College owned cell phones to surplus. Are we still required to do that?

Yes.
This is all very complicated. I do not have the time or resources to jump through all of these documentation, substantiation, and reimbursement hoops. Now what?

Your supervisor will determine whether you have a business need for a cell phone and, if so, which option to select under the policy. If your supervisor decides to provide you a stipend, there will be no record keeping on your part.

Is there an IRS document that outlines their position on the subject of cellular phone taxation?
Yes. The IRS has published an article on their website at the following url: http://www.irs.gov/govt/fslg/article/0,,id=167154,00.html.

I’m not happy with this new policy.
It is not possible to implement policy that satisfies every possible scenario or every person who will be affected. The diversity of a campus environment precludes this. However, great effort has been invested balancing the requirements of the IRS regulations, the business needs of the College, and the responsibilities of employees, in developing this policy.

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