

CALIFORNIA STATE UNIVERSITY, CHICO

Wireless Device Guidelines and Procedures

Purpose:

To comply with recent IRS rulings and CSU system wide mandate, the following guidelines and procedures outlines the provision of wireless devices to employees who are required to conduct business while away from the campus and to use a wireless device in performing their assigned duties.

Definitions & Relevant Tax Code:

- Tax code defines wireless devices (cell phones, PDAs, blackberry's) as "listed property." *IRC §280F*. The CSU also considers the cost of at home internet use to be included as well.
- The nature of "listed property" lends itself to personal use. Therefore, it is subject to detailed substantiation and recordkeeping requirements. Employers and employees are required to keep records of business and personal use. *IRC §274(d)*
- Business use is excludable from employee's compensation as a working condition fringe benefit. However, personal use is compensation to employees. *Treas. Reg §1.274-5T(e)(general)*
- If sufficient records are not kept to substantiate the business use, all use is treated as compensation for payroll tax purposes. *Treas. Reg. §1.274-5T (general)*

At a minimum, the employee should keep a record of each call and its business purpose. If calls are itemized on a monthly statement, they should be identifiable as personal or business, and the employee should retain any supporting evidence of the business calls. This information should be submitted to the employer, who must maintain these records to support the exclusion of the phone use from the employee's wages. *Treas. Reg §1.274-5T(general)*

- *Accountable Plans:* To be an accountable plan, the employer's reimbursement or allowance arrangement must include all of the following rules.
 1. The employee's expenses must have a business connection — that is, the employee must have paid or incurred deductible expenses while performing services as an employee of their employer.
 2. The employee must adequately account to their employer for these expenses within a reasonable period of time.
 3. The employee must return any excess reimbursement or allowance within a reasonable period of time.

An excess reimbursement or allowance is any amount employees are paid that is more than the business-related expenses that the employee adequately accounted for to their employer.

If these three rules are met for accountable plans, the employer should not include any reimbursements in the employee's income box 1 of the Form W-2. Publication 15, Employer's Tax Guide (Circular E) **Guidelines and Procedures:**

Terms for Provision of a Wireless Device:

1. The supervisor, with approval of appropriate Vice President, will determine the need for an employee to carry or use a wireless device outside the campus premises in the performance of the employee's job duties. Examples of wireless devices are cell phones, personal digital assistants and home internet access.
2. The supervisor will choose Option 1 or Option 2 for provision of wireless device.

Options and Procedures for Use of Wireless Devices:

Option 1: (Applies to Cell & PDA only): The department will retain the wireless equipment on the premises and it will be made available to employees to be checked out as needed.

- Procedures:**
1. Department will order device.
 2. Department owned wireless device is checked in and out by the employee
 3. Employee name and purpose, device, date issued or returned, are logged by department.
 4. Service plan statement is reviewed by department for personal use. Reimbursement is requested from employee for any such usage

Option 2: An allowance will be provided to an employee based on device and level of service determined by the supervisor. The employee will be responsible for all costs above the allowance. The employee will be allowed to use the device without any restrictions as to business and personal use. Payment for purchase of the equipment, as well as monthly service fees, will be the responsibility of the employee. Resolution of billing disputes, equipment malfunction, and service changes will be between the employee and the service provider. The allowance provided by the university will be reported as wages on the employee's W-2.

- Procedures:**
1. Supervisor, with approval of appropriate Vice President, determines need for wireless device to be used by employee.
 2. Supervisor, with approval of appropriate Vice President, selects Plan A or Plan B.
 3. The appropriate Vice President will send form to Payroll and Benefits to initiate allowance issued to employee.
 4. Employee is responsible for choosing and managing service plan.
 5. Reimbursement up to \$150 may be requested, bi-annually. The first reimbursement allowed will be July 2010 with subsequent reimbursements every other year in July only. When a new Plan is approved the employee will be reimbursed up to \$150 and then placed on the bi-annual July cycle.