

Cell Phone Policy Q&A

Why does the College want me to own my cell phone and arrange my own plan?

The IRS requires the business use of College owned cell phones be documented in a very detailed manner (i.e., maintain a log of the name of the person spoken to and the business purpose of each call). If we were audited, the IRS would declare any undocumented use as personal, and impose income and FICA taxes on the employee, as well as FICA taxes and penalties to the College. A simple statement that “I only use this phone for business purposes” does not suffice unless the College requires that in policy *and* routinely audits all cell phone bills, a daunting and extremely time-consuming task, and a practice that would necessitate employees maintain two separate cell phones (one for personal and one for business).

Won't it cost me more to arrange for that service than the College can get as a group purchase?

We have been able to negotiate discounted rates for employees with AT&T, Verizon and Sprint which mirror the best rates we can obtain in an institutional purchase. When coupled with additional discounts available to some employees under family plans, it is likely that some individuals could actually arrange for plans that cost less than the College's current rates.

We've been doing it this way for a long time. Why change now?

Although the IRS regulations are not new (issued in 1989), in 2005 they issued a reminder about the tax code relative to cell phones, and since then they have significantly increased scrutiny of these types of business expenses when conducting audits (and the courts have upheld the IRS position when taxpayers fail to document the business use of cell phones). Messiah has been slower to comply than most colleges. In addition, we have had no formalized methodology for approving cell and data plans, and the institutional cost has more than doubled in the past two years to more than \$70,000 annually. This policy attempts to match the institutional cost of providing a cell phone stipend with the institutional benefit.

What about the taxes? The amount of the stipend isn't the amount that will actually be available to me, so don't I lose out? Wouldn't it be better/cheaper for the institution to purchase phones and pay for the service directly?

The stipend levels have been set at a rate that should cover the cost of the phone and phone service equivalent to the institutional benefit *plus* additional funds to pay personal taxes. Under the current IRS regulations, saving the tax effects would come at the cost of requiring (and conducting internal audits of) documentation of every phone call and data access item. We have determined that is not a cost effective use of our employees' time. For a minority of employees, the business use of their cell phone may be a deductible expense in their income tax filing, so individuals can decide if it is a worthwhile use of their personal time.

But didn't I hear that Congress might address this issue and change the tax laws?

Yes, there have been numerous proposed bills that would amend the tax provisions for cell phone equipment and services. None have passed. Another was introduced in early January of this year, with no action to date. Even if the tax code were to be amended, the need to better align institutional expenses with the institutional benefits of cell phone usage remains. If the tax code

were amended, the College would likely decrease the stipend dollar amounts because the need for individuals to pay taxes on the stipends would disappear, but continue the basic approach so that individuals on family plans could still benefit from those pricing arrangements.

Do we have to choose AT&T as the cell phone carrier?

No. AT&T is our current preferred provider. It offers a 15% discount to Messiah employees, and maintains generally good service coverage in our area, but you are free to choose any plan carrier that provides good service in the area of the college, your home, and other areas to which you frequently travel while on College business. Note, however, that cell phone coverage is limited in sections of many College buildings (such as Boyer Hall and portions of the ECC). ITS is in the midst of a project to place equipment to boost the signals in those and other buildings, but must negotiate contracts and pay separate equipment costs for each carrier, so they have targeted the efforts and dollars to the carriers most used in this area: AT&T and Verizon. If you live on-campus or your job includes on-campus safety-related issues, your supervisor may specify the use of AT&T or Verizon.

This seems trivial in the midst of everything else that's happening right now. Why are you putting us through this?

While it may seem silly to us, the IRS takes it seriously, and has already made cellular telephone use an audit issue for business and higher educational institutions. In its (at least partial) defense, lifting all documentation requirements would mean businesses paying for cell phone usage could extend a new non-taxed benefit, and likely one that would more often be extended to higher paid employees, a policy stance the tax code generally tries to avoid.

The College currently provides me with a cell phone plan that includes 450 minutes. I never exceed the 450 minutes, including personal calls. Isn't that OK?

No. The IRS says all personal calls included in the base plan must either be reimbursed or reported as wages.

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

Yes. Because you own the phone and pay for the service, you do not have to document personal or business calls unless you wish to do so for your own personal taxes. There will be no need to carry two phones, one for business and the other for personal use.

Does everyone get an allowance for a personally owned cell phone?

No. Currently the institution pays for approximately 80 phones, and that number is not likely to increase under this stipend plan. You will only receive a stipend if your job requires you carry a cell phone where other less expensive means of communication are not adequate, and only an amount necessary to cover business calls. Just because someone in your job classification receives an allowance does not mean that you will if your specific duties do not require the use of a cell phone.

What if my job doesn't require regular use of a cell phone, but I have a short-term assignment such as a cross-cultural or service trip?

ITS will maintain a small pool of phones available for such purposes on a first-come, first-serve basis. You can also opt to use your own cell phone and ask for reimbursement for business calls for situations such as leading cross-cultural, but the business purposes of all calls must be documented. Occasional business calls (one or two a week) made from your personal cell phone will not be reimbursable expenses.

If I do have to use my personal cell phone for numerous calls during a travel period because an ITS loaner was not available, how do I calculate the reimbursement amount?

Example 1

You have a 600 minute plan that costs \$40.00 (plus fees and surcharges). You only used 300 minutes, and 100 of those were personal. Your total bill is \$40.00. You should seek reimbursement for 2/3 of the bill (the 200 minutes that were for business use divided by the 300 total minutes used). Use this formula: $200/300 \times \$40.00$. This equals \$26.67 plus the same prorated share of the fees and surcharges.

Example 2

You have a 600 minute plan that costs \$40.00 (plus fees and surcharges). This month you made calls totaling 650 minutes. Your total bill is \$57.50 (\$40 plus \$.35 per minute over 600 minutes). Of those minutes, 100 were for personal calls. You should seek reimbursement for $550/650 \times \$57.50$. This equals \$48.65 plus the same prorated share of the fees and surcharges.

Do I get retirement contributions on the stipend, or is it added to my base pay when determining my family health plan premium share?

No (to both situations). The stipend is not part of your salary – it is a taxable reimbursement not included when determining benefits.

What about smart phones (PDA and cell phone combinations)? Are those covered in this plan, and if so, what do I need to think about when planning for those services?

If your job requires you to travel extensively or to have 24-hour access to email, calendaring or other PDA functions, your Vice President may approve a stipend that will cover those costs. However, before purchasing a smart phone and plan, consult with ITS to make certain the phone features will integrate with our data systems (see the following website for preliminary guidance: http://www.messiah.edu/offices/its/telecommunications/cell_phone/index.html).

Why does the policy say I need to contact ITS before purchasing a non-Windows Mobile smart phone? What is a non-Windows Mobile device?

Smart phones use a variety of software programs to integrate with business systems. Some of those software systems (such as Windows Mobile used with Blackjacks, AT&T Tilt, T-Mobile Dash etc) are freeware and/or included with other software we use for other purposes. The software for non-Windows Mobile devices such as a Blackberry or some Palms is proprietary, and we have to buy additional licenses (currently \$2,000 annually for 10 licenses) to support integrating the calendar function with Groupwise, plus not all software integrates well with our systems. Those issues may change in the next year or so, but for now, ITS needs to have advance

notice if you're authorized for a smart phone and you plan to buy a non-Windows Mobile device so they can make certain we have software available to support its full use.

If I'm authorized to use a smart phone, can the College recommend which devices work best and will be supported by the College?

Your department may specify a device that is supported and works well for individuals in your job function. However, these products change frequently, and utility also varies by how you will personally use the device, so no one or two phones is likely to meet the needs of all employees. See the ITS website

http://www.messiah.edu/offices/its/telecommunications/cell_phone/cell_phone_support.html for guidance, read product review websites or consult with your vendor representative, and contact ITS before making a final decision to make certain the device can be supported by the College.

What if my actual business usage exceeds the amount of the allowance that I receive?

The allowance amount will be reviewed annually, and adjustments to the allowance will be made on an annual basis, as deemed necessary by average business use.

If I have questions about my stipend amount, who should I speak to?

You should speak to your supervisor.

TRANSITION ISSUES

When will I know if I have been authorized for a stipend, and at what level?

Senior administration will be consulting with supervisors to determine stipends during the months of April and May. You will be informed of those decisions in May, and transition documentation should be distributed and completed before the end of May.

When and how will I receive my stipend?

Your stipend will be included in the first pay period after July 1st, and every pay period thereafter. Those who have returned completed stipend agreements by May 27th will receive an additional ½ month payment on the last June payroll to assist with the transition.

Everyone knows my current business cell phone number. Will I have to get a new number too?

No. If requested on the transition paperwork, Chris Culbert will authorize transferring the current Messiah College number to you for use with your new personal plan. If you are currently on the College's AT&T plan, after June 5th, call their National Business Ordering desk at 1-888-444-4410 and advise the representative that you wish to "detach" your line of service from Messiah's corporate account. The representative will assist you with a "Transfer of Billing Liability" form to complete that transaction. You should mention the Messiah Employee discount code of 69965 to ensure you receive the 15% monthly service discount available to you as a Messiah employee.

If I'm paid a stipend for cell phone usage, what are my responsibilities?

You must make the cell phone number available to your supervisor, your assistant, emergency personnel, and other relevant Messiah employees. You must regularly carry the phone (and keep it charged) during the hours your supervisor stipulates. If you are authorized for a stipend at a data plan level, you must have a smart phone and maintain data plan services.

What if my spouses/child's current personal plan is up for renewal before July 1st, and I want to combine my new plan with theirs?

Apprise your supervisor immediately, and we will do our best to facilitate an early implementation for you. You will also need to contact Chris Culbert (Ext. 7240) so he can authorize an early release of your current phone number if you wish to retain that.

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

The allowance amount must be based on the business requirements of the employee's position. The allowance amount will be selected from the College's approved allowance pricing structure for services and equipment that are based on various levels of expected average business use. Supervisors are encouraged to determine an amount based on job function that is fair to the employee and the institution. See [Guidance for Supervisors](#) (This link may direct you to login to MCSquare, please login and you can find this document on the Business Office channel under the Policy section).

Most of my employees do not need a cell phone for travel purposes, but do need one available during work hours because they do not typically sit at a desk. How will that work?

There are limited circumstances where a department may maintain one or more cell phones to assign to employees during their working or on-call hours only (i.e., Department of Safety). ITS will arrange for service and equipment. No personal calls are permitted on those cell phones, and departmental supervisors must document they audited and approved the statements to make certain all calls are for business purposes.

I currently have a Messiah College provided phone. Do I need to buy a new one?

No. To assist with this transition, as long as your supervisor and Senior Administrator approve a stipend for you, you can retain any existing phone purchased on or before April 1st 2009 (individuals with smart phones must be approved for a smart phone). The stipend amounts are established at a level that is expected to cover the business use of future phone equipment replacement units.