

# Claremont McKenna College

## Policy on the use of cell phones and/or internet service (DSL or Cable Modem-Broadband Access)

This policy is effective as of September 1, 2006 and supersedes all previous guidelines regarding cell phones and/or internet services.

### Tax Issues

Perhaps because of the federal legislation regarding employee benefits that was enacted several years ago, the IRS, in recent investigations, has closely scrutinized the treatment of personal use of employer-provided equipment and services, such as cell phones and automobiles. These detailed reviews have led the IRS to require that a log, which lists every call that is made or received on an employer-provided cell phone and its business purpose, be kept by the cell phone holder. Since maintaining a log is very time-consuming, it has been decided that the College will no longer: 1) purchase cell phones; 2) pay vendors directly for monthly service; or 3) reimburse employees for monthly service or for purchases of related equipment. Rather, for authorized individuals, the College will provide a taxable monthly allowance for cell phone and/or internet use and may provide a one-time taxable equipment purchase allowance.

Although the allowance is taxable, the amount paid should be sufficient to cover any applicable taxes and the benefits to the employee should far exceed any additional costs. These benefits include: 1) a log is not required; 2) no monthly reporting is required; and 3) phones may be used for personal calls and can be combined or enhanced with other personal plans.

### Types of Allowances and Limits

- 1) A monthly allowance of up to \$60 per month for cell phone service. On rare occasions, a supervisor may determine that an additional amount of up to \$40 per month should be paid for an internet/data connection on a covered cell phone.
- 2) A one-time cell phone equipment allowance of up to \$400.
- 3) A monthly allowance of up to \$60 per month for home-based DSL or Cable Modem-Broadband access connection.

The College may grant one or more of the above allowances to any employee that meets at least one of the following two criteria:

- The employee's job requires them to spend a considerable amount of time outside of their assigned office or work area during normal working hours and have regular access to telephone and/or internet connections.
- The employee's job requires them to be accessible outside of scheduled or normal working hours. (This is not intended to include occasional, incidental access or purely voluntary access such as checking e-mail from home).

A supervisor should use personal discretion, knowledge of the employee's duties, and budget considerations to determine the amount of the allowance to be provided to each authorized employee. All allowances must be covered by the department's budget and, although the limits may vary, all allowances are taxable.

### **Administration of Allowance**

If a supervisor deems it appropriate for someone in his/her department to receive a cell phone allowance, the supervisor is to provide written authorization (e.g., attached authorization form with approval from the appropriate Vice President) to the Treasurer's Office, indicating the type of allowance requested and the amount. As noted above, the amount must be within the limits established above.

### **Direct Payments by the College to a Vendor for Cell Phone or Internet Service**

The College will no longer provide direct payments to a vendor for the purchase of equipment or monthly cell phone or internet service for an employee. Additionally, the College will not enter into contracts with vendors for employee use of cell phones or internet service. Given that a taxable allowance will now be provided for monthly service fees, the employee will be the direct holder of a contract with the cell phone company and/or internet service provider.

The College currently holds a few contracts with vendors for employee-used cell phone service and internet service. It is our goal to transition these contracts from CMC to the employee and to begin the taxable monthly allowance as soon as possible. However, with certain vendors, it may be necessary to wait until the current contract period has expired to avoid penalties. The Treasurer's Office will assist individuals in the transition.

Employees with existing cell phones provided under a current College contract will be expected to use their current phone with their new service. An equipment allowance will not be provided unless an employee provides legitimate reasons for a new phone.

For those employees who currently have personal contracts directly with a vendor and are seeking reimbursement from the College, the taxable allowance will commence 9/1/06.

### **One Allowance per Employee**

Given the taxability of the allowance, each employee who is authorized to have a cell phone for work purposes is to apply for his or her own allowance. In other words, Supervisor A cannot enter in a cell phone contract for both himself/herself and Employee B. If Employee B is authorized by Supervisor A and the appropriate Vice President to have an allowance, Employee B should enter into his/her own contract with a vendor and request a taxable allowance from the College.

### **Payroll Processing**

Once the Treasurer's Office receives and approves the request to initiate the allowance, the Authorization Form will be forwarded to the Payroll Department with a request to add the allowance to the employee's payroll check. A copy of the approved authorization form will be returned to the supervisor to inform the department of approval. (Reminder: appropriate payroll taxes on the amount of the allowance will be withheld from the paycheck and the amount of the allowance will be included in the wages line on the individual's year-end W-2).

### **Exceptions**

Any exception to the monthly taxable allowance above (including the use of "non-assigned" phone by a limited number of departments) must be pre-approved in writing by the V.P. for Business and Administration and Treasurer.

### **Use of College Cell Phone While Driving**

In the interest of the safety of our employees and other drivers, CMC requires employees to comply with all applicable laws while driving.