

**CELL PHONE and BLACKBERRY
POLICY and PROCEDURES (Revision 3/18/2009)**

Cell Phone/BlackBerry – Overview

Florida Atlantic University (FAU), selectively and where appropriate, provides its employees with cellular telephones, data service (BlackBerry) and pagers to conduct university business. Recent audit rulings by the Internal Revenue Service (IRS) and the State of Florida Auditor General have provided new information to FAU on the tax implications of this practice and identified areas of code violation, deviating from the intent of Internal Revenue Code (IRC).

The IRS code states that employees with university cell phones or other devices are to (1) disaggregate individual personal usage from business usage; and, (2) incur a pro rata share of monthly services charges, regardless whether or not the employee remains within the current package plan minutes provided. In addition, it is necessary to maintain a log of each business and personal call, describing the type of business it relates to, the person called and the amount of the call in minutes. Past practice at FAU has been that if the employee's monthly billing is within the number of minutes in the plan, no charges are administered back to the employee for his/her personal use, nor are taxes applied for personal use. This is not in accordance with the IRC.

As such, and with consideration given to the cost inefficiency of a monthly administrative review that includes maintaining a log and disaggregating all personal usage minutes, costs and taxes from business costs, the following policy was developed to comply with the IRC.

This policy was approved by the FAU Executive Committee in February 2008 and updated in March 2009. Adherence to this policy is required when a cellular phone, BlackBerry or other service has been issued to any FAU employee to carry out his/her job functions and has the potential for personal use by the employee.

Policy

The acquisition and use of cellular telephones and BlackBerry devices by Florida Atlantic University personnel must be related to the job duties of the user. It is the responsibility of the University President, Vice President, Dean or Director (or his/her designee) to determine which University employee is eligible for a cell phone or BlackBerry. The issuance of a BlackBerry device can only be approved by the President or Vice President and the individual must be on the approved Essential Personnel Listing, Level 1 or Tier 1.

Attributes and costs associated with each device issued to an FAU employee will be as follow:

- Step 1 - Each FAU employee who receives a cellular telephone or BlackBerry will be listed as a recipient of a perquisite and that listing will be maintained by the Human Resources Department.
- Step 2 - The cost of the device (life of the device shall not be for more than two (2) years) and the monthly charges will be calculated and recorded on the employee's W-2 at the end of each calendar year to accommodate IRS. It is important to note that this will increase the employee's taxable income declared annually by the University to the IRS. The calculation for personal calls will be done annually.
- Step 3 - In lieu of a stipend issued to the employee for the cost and usage of the device, the actual monetary outlay of the device and monthly charges (including relevant taxes) associated with the device will be borne by the issuing department. As such, it will not be necessary for the employee to receive an equal amount in his/her paycheck to cover costs. The costs will be covered by the issuing department.
- Step 4 - At the end of each calendar year, the University will issue payment to each affected employee, via one bi-weekly pay, an amount equal to the personal tax liability (most often 25%) incurred from the device, including the monthly charges. This payment is to cover the federal income taxes associated with the perquisite and will be declared as taxable income on his/her W2 forms. The amount to be received by employees is not a reimbursement of the monthly charges/expenses. These are covered by the department. The amount to be received is to cover the employee's taxable income that will increase due to the cost of the device and the monthly charges. These charges and associated costs will be covered through departmental resources. The employee's base salary will not be adjusted, nor will the employee incur out-of-pocket expenses to possess a University, job-related tool to carry out his/her duties.
- Example for employee issued a University device:

	<u>Example:</u>	
Initial Cost of the Device:	\$99.00	University covers the expense
Cost of Monthly Charges	\$84.99/month	University covers the expense
 <u>Reflected on Employee's W-2</u>		
Cost of the Device	\$ 99.00	No out-of-pocket expense by employee
Monthly Charges \$84.99/mo*12 months (est.)	<u>\$1,019.88</u>	No out-of-pocket expense by employee
 Estimated Personal Call Calculation	 13.86%	
Annual Estimated Amount of Tax Liability	\$ 240.36	
 Total Issued to Employee to Cover Tax Liability	 \$ 240.36	 University issues in Paycheck to

For those employees who need to make calls to the office while on official university travel and do not have a cell phone issued to them, a university calling card or p-Card should be used rather than seeking reimbursement from the University.

Guidelines for Approval

Issuance of device to the employee:

1. INITIAL REVIEW AND APPROVAL, REQUIRED DOCUMENTATION

For an individual who is newly hired, or if a current employees' responsibilities change and a cellular or BlackBerry device is necessary to complete the job responsibilities and assignments, the *Cell Phone and Associated Services Allowance Form* must be completed by the area of responsibility and approved by the President, Vice President or Dean. The allowance amount will be determined by the plan. The authorization forms will be signed and maintained in the employee's departmental file.

Employees who will no longer be eligible will be notified about this change and how it will affect them.

2. DETERMINING THE TYPE OF DEVICE AND THE AMOUNT OF ALLOWANCE

The University President, Vice President Dean or Director will determine the appropriate device and/or monthly fees allowed to each affected employee. Exceptions to the University policy and IRS guidelines will not be approved; consistent compliance with the IRS code is mandatory.

3. TRANSITIONING TO THE NEW PROCEDURE

No later than June 30, 2008, all FAU employees utilizing University-owned equipment will follow this new policy. The list shall be reviewed and certified annually.

Source of Funds

The appropriate fund and budget within the departments existing operating budget must be established prior to approving an employee allowance under this procedure.

Sponsored Research Projects

Allowances are not permitted to be charged to a Sponsored Research account unless authorized by the granting agency and only upon approval of the Vice President for Research.

Maintaining and submitting appropriate documentation for approvals

The Department of Telecommunications will continue to distribute billings for cell phones and BlackBerry devices. Because each employee is assuming the tax liability as personal property, it will not longer be necessary for the employee to maintain detailed logs of all in-coming or out-going calls. It is recommended that a copy of this signed form continue to be kept in the employee's departmental file. However, each employee is responsible for any and all overages and is required to reimburse the University using the automated Telephone Bill Payment feature at: <http://aftss.fau.edu/telephone/>.

Processing cell phone and/or BlackBerry taxes.

Payroll taxes will be recorded annually at the end of each calendar year. Phones and devices that are not assigned to individuals and billed directly to departments will continue to be billed in that manner.

For additional information, please contact Elise Angello at 561.297.2500 (elise@fau.edu) regarding cell phone services or Stacey Semmel at 561.297.3100 (ssemmel@fau.edu) regarding stipend questions.