

To: President, Vice Presidents, Chancellors, Executive Directors, Deans, Chairs, Directors, and Departmental Administrators

From: Executive Vice President and Provost, Robert Bates
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Subject: Imminent Changes to Cell Phone Policies

For a number of months we have been soliciting information from colleagues across the nation about cell phone policies. The reason for our concern is the heightened accountability by the IRS for the taxability of the employer-provided cell phone when documentation fails to substantiate the total "business use" of this "listed property." In other words, if an employee fails to document every call made from an employer provided cell phone, including the business purpose for each call, the entire cost of the monthly cell phone service plus the fair market value of the phone is taxable to the employee. We know that we have not been collecting documentation about every call made to substantiate whether it met the IRS definition of "business use". According to the IRS, without such documentation the entire cost of the monthly service should be included as taxable income to the employee.

WSU's existing policy and State Ethics Act allow "de minimis" use of employer provided cell phones. However, IRS rules do not even allow "de minimis" use without employee reimbursement. To that end, employee's would be required to document every call placed while WSU would also be required to conduct routine audits of cell phone bills, thereby creating an administrative burden throughout the entire University community.

For the above reasons, WSU has made the following determination:

- The University will no longer provide cell phones to employees; however,
- If a supervisor requires an employee to carry a cell phone, they will document that need on forms and procedures that will be forthcoming;
- Once approved by the supervisor, the department will submit the appropriate documents to produce a semi-monthly allowance (stipend) to offset the cost incurred for the business use of the employee acquired cell phone.
 - This stipend will increase the compensation to the employee.
 - This stipend will be taxable.
 - The amount of the stipend is mutually negotiated between the employee and WSU based on the requirement for accessibility to the employee.

While this memorandum is a high level overview of the imminent changes to our cell phone policies, we realize that executing these changes will take a number of months to communicate and implement. Our goal with this notice is to inform you of these imminent changes so you can assist with proper communication while also helping to dispel any rumors that may arise.

We are providing the following list of frequently asked questions and responses for your information:

Q: Why has the cell phone policy changed?

A: If a cell phone is owned by the University, IRS regulations subject the University and the cell phone user to significant compliance requirements. These requirements include detailed documentation of all cell phone calls, evidence of review to identify personal from business calls, and, a method to ensure the employee is taxed on the amount of personal use. The IRS can declare that all undocumented use is personal and must be taxed, even if the calls were mostly business calls. Implementation of procedures to comply with these regulations would create a significant burden to both administration and the employee.

Q: How will I be compensated for the “business use” of the phone?

A: When the cell phone is personally owned, the employee may receive compensation for business costs through a pre-determined allowance; i.e. semi-monthly stipend. Furthermore, a personally owned cell phone does not have the same restrictions on use for personal purposes as a university-owned cell phone, removing the need for two separate phones: business and personal.

Q: When does this policy change take effect?

A: This change takes effect August 1, 2007. There will be a six month transition period.

Q: What does this change mean to me?

A: If you have a business need for the use of a cell phone, then you will have a personal responsibility for the device and related service. However, you may be compensated for the portion of business use. This means the device itself, the service contract, monthly service charges and any other related charges will not be paid directly by the University. Instead, as the cell phone user, you will be directly billed and subsequently responsible for all charges incurred. To compensate you for the business use, the University will pay a pre-determined allowance amount for the service and the device (as approved).

Q: Who is eligible for an allowance?

A: Any employee is eligible to apply for an allowance. To be approved, the employee must have an official business need for the device or service and must have the approval of his/her department head. In addition, the allowance amount must be appropriately established and approved by the department head.

Q: Does everyone get an allowance for a personally-owned cell phone or mobile device?

A: No – this is not an entitlement. You should only receive the allowance if your job requires that you carry a cell phone because other less expensive or less efficient means of communication are not adequate (i.e. land-lines not readily available).

Q: Can I receive the allowance before I am signed up for my own cell phone plan?

A: No. A copy of the cell phone invoice must accompany the application for the allowance in order to verify the service exists and determine the allowance amount.

Q: How do I get started?

A: The procedures for transferring WSU Sprint Corporate Business Plans to a personal account for cellular services are as follows: You have three options; remain with Sprint and transfer to the Employee Value Program (EVP), transfer to another provider (i.e.; Verizon, Cingular, etc.), or terminate your WSU Sprint account. If an account is being transferred, the employee may keep the cellular phone number with the approval of the department.

Q: If the employee is transferring his or her cellular number to the Sprint EVP, what are the steps they need to follow?

A: 1) The department will need to fill out a request to terminate service using the on-line service request forms at <https://infotech.wsu.edu/communications/forms/requestforms.asp>
2) On the form you will need to indicate that you wish to transfer your WSU Sprint Business Plan to the Sprint EVP.
3) Communication & Network Services (CNS) will send the request to Sprint to transfer the service and complete a transfer of liability form giving Sprint authority to make the change.
4) CNS will notify the customer when the transfer is complete via email.
5) CNS will stop departmental billing, effective the last day of the month if the request is submitted prior to the 28th. If the request is submitted after the 28th the billing will stop the last day of the next month. This is due to Sprint's billing cycle ending on the 28th of each month.

Q: What if I want to transfer to another provider?

A: If the department is transferring their cellular number to another provider (i.e.; Verizon, Cingular, etc.) follow the following steps:

- 1) The department will need to fill out a request to terminate service using the on-line service request forms at <https://infotech.wsu.edu/communications/forms/requestforms.asp>
- 2) On the form please indicate that you wish to transfer your WSU Sprint Business Plan to a personal account and specify the vendor (i.e.; Verizon, Cingular, etc.).
- 3) Communication & Network Services will contact the department with instructions on porting your number to the new provider.
- 4) CNS will stop departmental billing, effective the last day of the month if the request is submitted prior to the 28th. If the request is submitted after the 28th the billing will stop the last day of the next month. This is due to Sprints billing cycle ending on the 28th of each month.

Q: Where is the Sprint Employee Value Program for cell phones described?

A: <http://www.evpdiscount.com/Cougars>

Q: Can I keep my existing employer purchased phone?

A: If you are continuing to carry the phone for the convenience of the employer there "may" be an initial cost to the employee to retain the phone based on the initial cost of the phone, the age of the phone and resulting depreciation of the phone. Below is a chart of the reimbursement that may need to be made to the University based on the initial cost and age of the phone. The department should retain adequate documentation to support the disposition of the device.

Initial Cost	Age	Employee Acquisition Cost
<\$100	<6 Months	50% of initial purchase price
<\$100	>6 Months	0%
>\$100 & <\$200	<1 Year	50%
>\$100 \$ <\$200	>1 Year	0%
>\$200	<1 Year	50%
>\$200	>1 Year & <2 Years	25%
>\$200	> 2 Years	0%

Q: Can I keep the same number?

A: In most cases the number is transferable to another plan.

Q: If I do receive an allowance, can I use the cell phone for personal calls and must the calls be documented?

A: Because the phone is your personal phone and not owned by the University, you may use the phone for personal and business calls. Because you have already been taxed on the allowance that was provided, there are no additional IRS tax requirements to document any of the calls as personal or business.

Q: Will I have to show my cellular telephone bills to my supervisor?

A: On an annual basis, the department will be required to review monthly bills to determine the appropriate allowance amount based on business use. At any other time, review of monthly phone bills may only be requested to demonstrate that the level of compensation for business use is appropriate.

Q: Are there any cases where the University will provide a cell phone to an individual?

A: Not on a permanent basis. However, the University may have cell phones that it could check out to individuals or volunteers on a temporary basis. These cells phones must be returned after a certain date or time. Departments must monitor and document that these University provided cell phones are only used for business calls.