Purpose:

Provide guidelines for the use of mobile communication devices (MCDs) for University of Wyoming business purposes in order to comply with Internal Revenue Service (IRS) regulations and meet the university’s fiduciary responsibility to the taxpayers of the State of Wyoming.

Encourage use of personally owned devices to minimize substantiation requirements, compensate employees for business use, avoid excess taxable wages, and limit IRS audit exposure.

Policy:

Provide extra compensation to cover business use and one-time purchase of a personally owned device and service contract, in the form of a taxable MCD allowance, for employees whose job duties include the frequent need for an MCD.

Continue to provide non-taxable reimbursement to employees for substantiated infrequent business use of personal MCDs.

Allow UW-owned devices in limited circumstances, such as MCDs assigned to special groups or departments (e.g. Physical Plant). Discourage use of UW-owned Blackberries with voice service due to substantiation requirements. Employee must reimburse university for non-essential personal phone calls. Internal Revenue Code Section 274(d)(4) imposes strict business purpose substantiation rules - see requirements below.

Transition:

The University will not purchase any new MCDs or service contracts and will not renew or extend existing service contracts (except in the case of special groups/departments). UW Telecommunication Services will work with department billing coordinators to convert university contracts to personal contracts.

Procedures:

MCD Allowance Authorization Form may be submitted anytime of year and must be updated annually by January 15th. Forms are submitted to the Payroll Office in Old Main.

Allowance requested is determined by department heads or directors and must be updated when business use decreases. Allowance may not exceed the cost of the employee’s monthly service contract.

Allowance does not increase base pay and is not included in the calculation of retirement contributions and annual salary adjustments.
Internal Revenue Service Substantiation Rules:

Cell phones fall into a category known as “listed property,” which means that they are subject to the strict “business purpose” substantiation rules of IRC Sec. 274(d)(4).

If an employer provides an employee with an employer-owned cell phone, the employer must be able to substantiate for each and every business call:

(A) the amount of such expense
(B) the time and place of the use of the cell phone
(C) the business purpose of the expense and
(D) the business relationship between the employee and the person being called…

…in order to treat the value of the phone as a nontaxable working condition fringe benefit.

To the extent that the employer is not able to provide this substantiation and employee doesn’t reimburse the university, the cost of the call must be treated as a personal expense that is included in the employee’s income as additional wages. If the IRS determines that the employer maintained insufficient substantiating records, it can ignore any business use of the phone and treat the entire value of the cell phone benefit as additional taxable wages.

Examples of Allowances:

<table>
<thead>
<tr>
<th>Type of MCD</th>
<th>Ownership</th>
<th>Voice Allowance</th>
<th>Data Allowance</th>
<th>Total Allowance</th>
<th>Substantiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile phone</td>
<td>Personal</td>
<td>$40</td>
<td>Not applicable</td>
<td>$40</td>
<td>Copy of service contract-annually</td>
</tr>
<tr>
<td>Mobile phone¹</td>
<td>UW</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td></td>
<td>IRC Sec. 274(d)(4)</td>
</tr>
<tr>
<td>Wireless PDA (non-Blackberry)</td>
<td>Personal</td>
<td>$60</td>
<td>$55</td>
<td>$115</td>
<td>Copy of service contract-annually</td>
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<tr>
<td>Blackberry²</td>
<td>Personal</td>
<td>$80</td>
<td>$55</td>
<td>$135</td>
<td>Copy of service contract -annually</td>
</tr>
<tr>
<td>Blackberry³</td>
<td>UW</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td></td>
<td>IRC Sec. 274(d)(4)</td>
</tr>
</tbody>
</table>

1 – UW departments pay for voice service plan.

2 - UW departments pay a $12.50 per month Integrated Blackberry Service Charge to Information Technology for server operation and maintenance.

3 – UW departments pay for data service, optional voice service, plus the $12.50 Integrated Blackberry Service Charge.