

Cell Phone Stipend - Frequently Asked Questions

1. What is changing with University cell phones?

The University is implementing a cell phone stipend for eligible employees. University-provided cell phones for individual employees and direct payments to vendors for telecommunication services will be eliminated.

2. Why are these changes taking place?

This new program will bring the University into compliance with the IRS. The Internal Revenue Service (IRS) requires that the business and personal use of University-owned cell phones must be documented in a very detailed manner. In the absence of such documentation, the IRS can treat all undocumented calls as personal and the value of those calls is taxed as wages, even if the calls were mostly business calls. Receiving a taxable stipend to purchase a personally-owned cell phone and service plan eliminates the requirement for you to track your business and personal calls.

The change to providing a cell phone stipend will also give employees the benefits of selecting a wireless provider, cell phone, and plan that meet their personal and professional needs as well as allow employees the benefit of carrying one device.

3. When will these changes take effect?

August 10 – September 18: departments can use this time to complete and approve request forms and convey their intent to IMT for each of their current cell lines. All Departmental Cell Phone Lines spreadsheets are due by 09/18/09.

September 18 – October 31: Employees have this time to move their APU line to a personal account, configure an existing personal line, or establish a new personal line. All lines remaining on the university account by 10/31/09 will be deactivated unless otherwise approved.

4. Who does this new cell phone stipend program apply to?

If eligible and with approval, anyone who uses a University-provided phone and whose department is billed for the monthly service fees must transition to a personally-owned cell phone account.

5. Who is eligible for a telecommunications stipend?

An employee whose job requires immediate accessibility to receive and/or make frequent business calls for at least one of the following requirements may be eligible for a cell phone stipend based on departmental approval and available budget.

- **On-Call availability:** Employee is required to be on call a majority of the time to be contacted in the event of an emergency or service need. Departments should consider consolidating to one University owned on-call phone when appropriate where employees take turns on-call.

- **Frequent mobility:** The job requires considerable time outside the office during working hours and it is imperative to the functioning of the University that the employee be immediately accessible to receive and/or make frequent business calls during those times.
- **After hours availability:** The job requires the employee to be immediately accessible to receive and/or make frequent business calls outside of working hours. Employee must be readily accessible due to the specific nature of their duties and must be available for emergency responses or time sensitive consultation after normal office hours.

6. Will everyone who currently has a University provided cell phone receive a stipend?

No. Cell phone eligibility will be evaluated by departments. Some individuals with cell phones may be assigned a shared phone or a shared on-call phone instead of receiving a stipend. University cellular stipends must be based on a valid, University related need and meet the stated criteria (above). Stipend eligibility is not based on an employee's job title.

7. Does this change include PDA phone service?

Yes. If the PDA phone is required to perform your job, your Department Budget Manager and Vice President/Provost may approve a stipend for PDA phone data plan stipend on top of the voice stipend. Eligibility requirements for a PDA phone data stipend include the following criteria.

- Real time decision making and University responsiveness is of an urgent nature and must be accomplished through email.
- Real time communications/responses by email are required when traveling, off campus, away from the office, or after hours.

8. What options do approved stipend recipients have for establishing a personal account?

- a. Keep current APU phone line; move to a personal account on the same carrier
- b. Keep current APU phone line; port the number to a personal account on another carrier (department will incur an early termination fee if the line is in contract)
- c. Use existing personal phone line (department will incur an early termination fee if they have to disconnect the employee's existing university line that is in contract)
- d. Activate new personal phone line (department will incur an early termination fee if they have to disconnect the employee's existing university line that is in contract)

9. I have used a University owned cell phone for a long time with no problems. Why is this changing now?

The IRS considers cell phone use a taxable fringe benefit if the business and personal use cannot be substantiated. Only recently has this issue emerged as a problem in IRS audits of colleges and universities.

10. Why can't we continue to have a university provided phone and just follow the IRS documentation guidelines?

The extensive accounting of calls would be too burdensome for employees and their departments to comply with over the long term.

11. Can I use a cell phone for personal calls when I purchase it with a taxable stipend from the University?

Yes. Because you own the phone, you can use the phone for personal calls and you do not have to document usage, however, the amount of your cell phone stipend will be calculated based on the number of minutes you need for University business use. You will no longer need to maintain a separate phone for personal use.

12. Is the stipend that I receive for my cell phone taxable?

Yes. The stipend is a taxable benefit that will be reported to the IRS on your W-2 as part of your annual income.

13. Why is the stipend I receive for my cell phone taxable?

The stipend amount is taxable income because you will not be required to provide detailed documentation of your business calls or reimburse the University for any personal calls you make.

14. How will I be able to pay the taxes on the stipend if the amount I receive is based on my business use?

The monthly cost of the selected cell phone stipend will be increased, or "grossed up", to reimburse you for the approximate payroll taxes you will be assessed on this addition to your income.

15. What if my tax rate differs from the amount grossed up in the stipend?

The goal of the cell phone stipend program is to relieve employees of the burdensome and time-consuming task of documenting their business and personal calls. For this reason, standard stipends have been established that approximate an employee's business need and tax liability. Calculating individual stipends based on an employee's exact income tax rates would introduce a new level of complexity that would be at odds with the University's goal to reduce the burden associated with this business benefit.

16. Will the taxable stipend be included in my income for calculating my retirement or other benefits?

No. Although the stipend will be paid to you as additional salary, it will not be included in your compensation for purposes of determining University retirement coverage, salary increases, or other benefits.

17. What if my actual business usage exceeds the amount of the monthly stipend I receive?

You may request an increase in your monthly stipend based on the expected ongoing increase in your business usage. If your business use temporarily spikes for only one or two months, you may request an expense reimbursement for your unreimbursed business calls. You will need to provide your department with a complete log of each business call, a copy of your cell phone statement with each call highlighted, and an expense reimbursement form.

18. Can I get a stipend to cover the cost of a cell phone device?

Stipend recipients may be eligible, based on departmental approval, for a one-time stipend to cover up to the established equipment stipend amount. This stipend is available no more than once every two years. An original receipt/invoice indicating the amount paid and that the phone was purchased for the employee's line must be provided. Different stipend amounts are available for voice only stipend recipients and PDA phone stipend recipients. The One-time Cell Phone Reimbursement Request Form is available at this site:

<http://www.apu.edu/imt/telecommunications/cellphones/forms/>.

19. When are employees eligible for an equipment stipend?

Employees can request an equipment stipend once every two years. For employees with university owned equipment purchased within the last 2 years, it is recommended to wait until the current contract end date to approve an equipment stipend since new equipment was already purchased for these lines. Departments can allow these employees to continue using their current equipment.

20. What if my cell phone is lost, stolen or damaged?

The employee is responsible for all equipment charges in addition to the equipment stipend provided once every two years.

21. Does everyone get a stipend for a personally-owned phone?

No. Only those who meet the criteria, have Budget Manager and Vice President or Provost approval, and have a business need will receive a stipend. You should only receive a stipend if your job requires that you carry a cell phone where other less expensive means of communication are not adequate, and then only an amount necessary to cover your business calls.

22. When I sign up for a plan, can I purchase additional minutes for personal use?

Your stipend will be based on the number of plan minutes you need for business purposes. If you would like additional minutes for personal usage, you may increase your plan and pay for any additional costs personally.

23. If I qualify for a stipend, can I add a phone to an existing family share plan if it is cheaper than getting a separate plan?

Yes, as long as the number of minutes available for your business use meets the minimum requirement of your specified stipend, you will be eligible for the stipend.

24. What if my choice doesn't work out for me?

You should take full advantage of any trial periods offered by the carriers. Pay strict attention to your level of service during that period and return the phone and cancel the plan if you are not receiving the level of service you need.

25. What if I need a PDA phone for business use?

If your job requires that you have access to e-mail, calendaring, or other PDA functions, your department may approve a monthly data plan stipend and an equipment stipend to purchase a PDA phone. BlackBerries are NOT eligible to receive a monthly data plan stipend or a PDA phone equipment stipend. If you want a PDA phone but your job doesn't require it, you can select a PDA phone but must personally pay for the additional plan amount. You will also only be eligible for a voice only equipment reimbursement stipend.

26. Can I use a BlackBerry?

BlackBerry devices may be used by employees but they do NOT qualify to receive a data plan monthly stipend or a PDA phone equipment stipend. These devices do not connect to University calendar or contacts.

27. Will the university pay for any accessories for my cell phone?

No. Employees are responsible for covering the cost of any accessories.

28. What happens after I receive departmental approval for a stipend?

You must obtain a cell phone and plan that meets the minimum requirements of the selected stipend. Turn in a copy of your most recent cellular billing statement to your Budget Manager. The request form and billing statement copy will be turned into Human Resources and forwarded to Payroll. The stipend will be added to your paycheck on your next regular pay day as long as it is received by Payroll by the 5th of the month.

29. How long will I receive the stipend?

You will continue to receive the stipend on your paycheck until the end of the current fiscal year or until your stipend is cancelled for any other reason. Your stipend amount may be changed or cancelled by your department at any time.

30. When do I need to notify my Budget Manager of any changes?

Notify your Budget Manager within 5 working days if the eligibility criteria are no longer met, if your service is cancelled, or when your phone number, carrier, or plan eligibility changes.

31. What if I leave the University before my cell phone contract expires? Will I be reimbursed for any early termination fees?

If you incur any cancellation fees or penalties (unrelated to employee misconduct) as a result of changing positions, terminating employment with the University, or the University determining a phone is no longer required for the position, your department will provide you with a one-time stipend to reimburse you for this charge. A copy of the billing statement indicating the amount of the early termination charge billed is required. The fee must be incurred within 30 days of the University decision that lead to the stipend cancellation. The One-time Cell Phone Reimbursement Request Form is available at this site:

<http://www.apu.edu/imt/telecommunications/cellphones/forms/>.

32. I have been paying for personal calls made on my University-owned cell phone. Aren't I meeting the IRS requirements?

Probably not, unless you have provided your department with detailed documentation of your business use and have paid a pro-rata share of your total cell phone bill for the personal use. Even minutes used included in the base plan or night and weekend minutes should be documented and reimbursed.

33. I document my personal calls by marking them on my cell phone statement. Isn't that enough substantiation?

No. Under IRS regulations, it is not enough to simply mark personal calls and say that all the rest are business calls. Under these regulations, the business usage of the phone must be documented by adequate records. If no records are maintained, employees should be taxed on the value of the monthly cell phone plan.

34. Are there any exceptions to receiving a University owned phone?

At the discretion of your department, Vice President/Provost and the CIO, certain employees or groups of employees may continue to receive a University-provided cell phone where a shared department phone or an on-call department phone is required for business use only. In cases where an exception is approved, employees are required to document the business use of the phone and timely reimburse the University for any personal calls made using the device.

35. For approved departmental phones, how am I supposed to figure the reimbursement amount for my personal calls?

You must reimburse your department at the established university per minute rate for cell phone usage. All other usage should be reimbursed at the actual cost.

36. If I don't receive a stipend but I use my personal cell phone for University business, can I get reimbursed for those calls?

You may be reimbursed for your business calls at the University established per minute rate with prior departmental approval. You will need to provide your

department with a copy of your cell phone statement noting the business calls and the business purpose for each call.

37. As a Budget Manager, how do I know which is the correct stipend amount for an employee?

The stipend amount must be based on the number of plan minutes needed by the employee for business purposes. The stipends are based on standard plans offered by cell phone providers. In selecting the plan, departments should consider business usage only and not factor in personal usage. Previous usage call detail is available from Telecommunications if necessary.

38. What are the advantages of staying with a University recommended provider?

The University has arranged for employee discounts with four major carriers.

39. What do I need to do to transfer my University cell phone line to an individual account after I have been approved for a stipend?

- 1) Let your department know you want to keep your phone number and the account holder name to which the line should be released.
- 2) Your department will relay this information to IMT.
- 3) IMT will release liability of the phone line to you.
- 4) Contact the provider to set up your own personal account (either the current provider or a different provider if approved).

40. How do I contact the provider once liability of my APU line has been released?

See this website for the available methods for contacting discounted providers:
<http://www.apu.edu/imt/telecommunications/cellphones/discounts/>.

Wireless providers will be on campus for the following dates for an employee cell phone vendor fair:

Wednesday, 08/26/2009 from 1:00 PM - 4:00 PM on Cougar Walk

Tuesday, 09/29/2009 from 9:00 AM - 12:00 PM in LAPC

41. Will I be allowed to keep my phone number when I transfer my phone to an individual account?

Pending departmental approval, you would be able to keep your current APU phone number whether you are staying with the current provider or switching to another one.

42. What if I decide I do not want to stay with my current University wireless provider?

You are not obligated to stay with your current University provider. During the initial transition process, employees eligible for a stipend electing to keep their number may be permitted to switch to another provider. If the phone line is in contract, an early termination fee will be billed to the department.

Employees NOT eligible for a stipend but wanting to keep their university phone number for personal use only are responsible to cover any early termination fees if the line is in contract. Lines in contract will be restricted to the current carrier, but can be released for porting if the employee pays the department for the cost of the early termination fee.

43. What do I do with the University provided phone equipment after I setup my personal account and have my personal device?

You must return the phone with all accessories to your department as this equipment is university property.

44. How do I know I'm getting a fair stipend?

With department approval, you will work with your Budget Manager to determine how much your stipend will be. You will receive an amount necessary to pay for required business use. The amount of the stipend is increased to cover the approximate amount of taxes that will be assessed.

45. How do I know what cellular telephone or monthly plan to choose?

The device and plan you select should be based on several factors. The phone and plan you select must at a minimum meet the requirements of the selected stipend. You should consider both business and personal service coverage. You should consider your calling patterns. We recommend that you shop around, check vendor websites, or speak with the different vendor reps before making a decision. Price should only be one factor in your choice. The lowest price carrier may not meet your coverage and other needs.

46. If I am authorized to use a PDA Phone to access University email, calendar or other services, can the University recommend which devices will work best and will be supported by the University?

These products change regularly – so you should speak with the wireless vendor. Phones with the following operating systems can connect to APU's system to sync email, calendar and contacts. Employees qualifying for the data plan stipend must obtain a phone with one of these operating systems in order to be eligible.

- Windows Mobile
- iPhone
- webOS (Palm)
- Android (currently only email support via IMAP)

Other operating systems, such as BlackBerry, connect with APU email only, and do not qualify for a data stipend.

47. How do I apply for the monthly cell phone stipend?

A Cell Phone Stipend Request Form, available at this site

<http://www.apu.edu/imt/telecommunications/cellphones/forms/>, must be

completed and approved by the Department Budget Manager and Vice President or Provost. Forms are sent to Human Resources and must be renewed each fiscal year.

48. How is the dollar amount of the telecommunications stipend determined?

The Department Budget Manager determines the stipend amount based on the business needs of the employee and within the selection criteria provided by IMT. The University sets the stipend amounts based on current plan options available and University discounts, and is then grossed up to cover approximate taxes.

49. What does the stipend cover?

The stipend is intended to reimburse the employee for the business use of their own personal cell phone, not to pay the entire phone bill.

50. How will cell phone stipends be paid to employees?

The stipend will be paid once a month in the employee's paycheck.

51. Can I use a University credit card, expense reimbursement, or a purchase requisition to pay for cell phone service?

No. These services are no longer paid directly by the University and must go through the stipend process.

52. Can I be reimbursed for necessary business calls made with my personal cell phone if I am not eligible for a cell phone stipend?

Yes. With department approval, a request for reimbursement may be submitted with appropriate substantiation via the expense reimbursement process.

53. Can I use any cell phone or plan if I receive a voice-only stipend?

Yes. The device and plan you select are your responsibility, but must at a minimum meet the selected stipend requirements.

54. Can I use any cell phone or plan if I receive a data stipend?

Not all PDA phones are eligible for a monthly data stipend or the one-time PDA phone equipment stipend. To qualify, the user must select a PDA phone and data plan that allow the user to connect to APU email, calendar, and contacts. Reference #46 above for qualifying PDA phones.

55. What if I have trouble with my service or phone on my personal account?

You will need to work directly with the carrier for resolution because this is your personal plan and equipment.

56. What support does the University provide for accessing email, calendar or other services using a PDA phone?

IMT will provide documentation for connecting to University email, calendar and contacts.

57. Where can I find IRS information on employee use of business cell phones?

The IRS website includes additional information on employer-provided cell phones. You can find this information at the following address:

<http://www.irs.gov/govt/fslg/article/0,,id=167154,00.html>.

58. What if I need an additional feature for my cell service that is required for business usage but isn't on the approved stipend list?

Knowing that all situations cannot be foreseen or included in the calculations, the policy allows for Vice Presidents/Provosts to approve different stipend amounts. If an additional feature or service, within policy, is required for business usage, the stipend amount can be adjusted accordingly.

59. What if the stipend amount corresponding with my plan is more than I pay for my actual cell phone plan?

Stipend amounts are based on standard carrier plans and are increased to cover the cost of additional taxes. The amount you receive will be slightly higher than the cost for the required plan, but if your stipend amount is substantially higher than the actual cost for your business plan, please inform your budget manager so the stipend can be adjusted accordingly. Stipends should cover business usage only.

60. What if my credit isn't good and I can't get a cell phone account?

There are a couple options available for those who don't qualify for a cell plan.

- a. Departmental phone: If appropriate, a departmental phone may be available for those who can share a phone.
- b. Prepaid plans: These plans are higher cost, so the approved stipend amount will need to be adjusted accordingly.

61. What happens with the university cell phones and accessories?

IMT will collect cell phones and accessories to be recycled. For most phones, there is minimal to no compensation for recycling. If a department is interested in receiving credits from the recycling of new, higher end phones, please notify IMT prior to submitting the equipment.