Office of the Commissioner of Higher Education  
Personnel Policies

SUBJECT: Cell Phone Allowance
Policy Number: 602.5
Adopted: October 7, 2009

Policy
Office of the Commissioner of Higher Education employees whose job duties require the need for a cell phone (mobile communication device) may receive an allowance to cover estimated business-related usage of employees’ personal cell phone contracts. Eligible employees will be determined by the Commissioner(or designee) and the allowance will be determined as outlined below:

A. Approval for an allowance form completed by employees and approved by the Commissioner (or designee).
B. The allowance base will be based on the base monthly fee in the employee’s personal cell phone contract, which should closely mirror OCHE’s contract for cell phone devices for employee business-only usage plan.
C. The allowance base will be multiplied by the following percentage to determine the monthly allowance:
   1. High Business Use – 80%
   2. Moderate Business Use – 50%
   3. Low Business Use – 20%
D. The allowance will be included with the employee’s payroll once a month.
E. The allowance will be considered a taxable benefit as a nonaccountable plan (for IRS purposes).
   1. Employees will NOT be required to submit their personal phone bills for the cell phone.
   2. Employees will be responsible for payment of their entire cell phone bill and payment will not be dependent upon receipt of their monthly allowance.
F. The employee’s supervisor will periodically review the percentage of business use and allowance base and document this review.

References:
http://www.irs.gov/govt/fsig/article/0,,id=167154,00.html

Employee-Owned Telephones: If the employee owns the phone, the listed property requirements do not apply. Any amounts the employer reimburses the employee for business use of the employee's own phone may be excludable from wages if the employee accounts for the expense under the accountable plan rules. See Publication 15, Employer’s Tax Guide (Circular E), for more information about the accountable plan rules.

Publication 15

Nonaccountable plan: Payments to your employee for travel and other necessary expenses of your business under a nonaccountable plan are wages and are treated as supplemental wages and subject to the withholding and payment of income, social security, Medicare, and FUTA taxes. Your employee is not required to or does not substantiate timely those expenses to you with receipts or other documentation.