



Taxable Allowance with Employee-owned Device and Service Plan

NORTHWESTERN
UNIVERSITY

Policy Statement

This policy coincides with the Mobile Communications and Home Computing Policy, which includes the definition of Business Use. If the definition of Business Use is not met, a department may, at its discretion, elect to provide an allowance for the employee's mobile device. Because the IRS Business Use criteria are not met, the allowance is a taxable benefit and must be recorded as taxable compensation on the employee's W-2 form. The taxable benefit is only available on employee-owned devices.

No record keeping of business and personal calls is required for IRS or central University purposes. However, record keeping requirements or review procedures may be established at the school or unit level.

The annual maximum mobile communications device and service plan taxable allowance is \$1,200. This amount is subject to change and will be reviewed annually. Any exceptions to this amount must be approved by the appropriate Dean, Vice President or his/her designee.

The department head must review compensation amounts annually. Following such annual review, the Annual Mobile Communications Agreement must be completed by the department head, and the department head and employee must sign the Agreement. See Appendix A.

Additional Pay Request forms must be submitted to Payroll to establish a recurring monthly taxable allowance for a service plan or, as needed, a taxable allowance for the purchase of a communications device.

Procedures

1. Employee-owned Mobile Communication Devices/Plans with a Taxable Allowance

a) School or Department Authorization and Approvals

1) Authorization

Schools and departments are responsible to determine the budgetary impact of this program, and to determine whether or not an employee's circumstance requires the use of a mobile communications device.

2) Discontinuation of Additional Compensation

The department should notify Payroll immediately if additional compensation is to be discontinued. Notification can be made by modifying the End Date on a copy of the original Additional Pay Request and submitting the modified form to Payroll specifying that additional pay should be discontinued.

3) Documentation/Audit Requirements

For employee-owned devices and plans, copies of the approval forms/agreements used to process University compensation, as well as receipts or other valid evidence of device purchases and service contracts, shall be retained for eight years for internal or external audit purposes.

4) Signed Agreement

A recurring monthly taxable allowance for a service plan must be processed through Human Resources Payroll department via the Additional Pay Request form. The form can be used to specify the taxable allowance for a maximum of 12 months and it must be renewed annually. Specify an Earning Code of MCA Mobile Communications Taxable Allowance, Earnings Begin and End Dates, the monthly Earnings Amount, and the Goal Amount, the total for the period (monthly amount x number of months with a maximum of 12 months). See the HR Payroll website for the form and instructions at <http://www.northwestern.edu/hr/payroll/administratorpayments.html>.

See Appendix A of this document, Annual Mobile Communications Agreement for Employee-owned Devices with a Taxable Allowance

b) Recommended Vendors

1) Recommended Vendors for Devices and Service Plans

Departments and employees should, where possible, purchase mobile communication devices and service plans that are available from approved vendors participating in University preferred vendor programs. In most cases, contracted discounts are available to employees. However, the employee discount amounts may vary, depending on the selected vendor. Check the Purchasing Resource Services Web Site at <http://www.univsvcs.northwestern.edu/Purchasing/index.html> for preferred vendors.

c) Employee Responsibilities

1) Select and Purchase Device/Plan

The employee is responsible for the selection and purchase of a device and enrollment in an appropriate mobile communications service plan. Insurance or accessories not required by the Agreement are the responsibility of the employee.

2) Provide Department with Phone Number

An employee receiving University compensation for mobile communications service must provide his/her department with the phone and/or PDA number of the communication device within five (5) working days of activation.

3) Provide Bill for Verification of Usage

The employee must be able to show, when requested by their department head, that the monthly bill for mobile device usage, including taxes and fees, is at least the amount of the University compensation. If the monthly bills do not on average, equal or exceed the amount of the compensation, the department head may adjust the amount of the compensation to a lower amount or may discontinue the compensation for the employee's service.

4) Comply with Contractual Obligations

The employee is personally responsible for complying with any contract entered into with a service provider including payment of all expenses incurred (including long distance, roaming fees, taxes, and any penalties). In the event that an employee leaves the position, or the device is lost or stolen, he/she continues to be responsible for the contractual obligations of the service plan.

5) Employee Responsibility for Care of Device

Employees are expected to take reasonable care of their mobile communications device. Device maintenance is the responsibility of the employee. University staff may provide tech support, but the University cannot be held liable for any damages to device. If an employee's required device is lost or destroyed through gross negligence, the employee may be required to replace it at their expense, per department head discretion.

6) Notify Department of Inactivation, Loss or Theft

An employee receiving University compensation toward the purchase of mobile communication devices or services must notify his/her department head as soon as possible and in no case more than five (5) working days beyond inactivation of the service or loss or theft of the device.

d) Employee Compensation

If the definition of Business Use is not met, a department may, at its discretion, elect to provide an allowance for the employee's mobile device. The allowance is a taxable benefit and must be recorded as taxable compensation on the employee's W-2 form. Approved procedures must be followed when providing compensation.

1) Monthly Taxable Allowance, Reimbursement

Monthly taxable allowances received by the employee will be reported as taxable wages on the employee's W-2.

A recurring monthly taxable allowance for a service plan must be processed through Human Resources Payroll department via the Additional Pay Request form. The form can be used to specify the taxable allowance for a maximum of 12 months and it must be renewed annually. Specify an Earning Code of MCA Mobile Communications Taxable Allowance, Earnings Begin and End Dates, the monthly Earnings Amount, and the Goal Amount, the total for the period (monthly amount x number of months with a maximum of 12 months). See the HR Payroll website for the form and instructions at <http://www.northwestern.edu/hr/policies-forms/forms/payroll-administration/index.html>.

2) Initial Device Purchase and Device Upgrade

The school or department will contribute toward the activation of a service plan and the purchase or upgrade of a device, if the circumstances warrant the purchase.

For purchase of a communications device, a separate Additional Pay Request form may be submitted to Payroll, specifying an Earning Code of MCD Mobile Communications Device. For exempt employees, specify Earnings Begin and End Dates (the start and end dates for the month the device purchase is to be made), the Earnings Amount (the device taxable allowance amount), and the Goal Amount (same as the Earnings Amount for the one-time device purchase). See the HR Payroll website for the form and instructions at <http://www.northwestern.edu/hr/policies-forms/forms/payroll-administration/index.html>.

3) Wages and Ownership

All such compensations will be reported as taxable wages. The employee will own the device. The employee may select a more expensive device but will not receive compensation in excess of what is specified in the Mobile Communications Agreement.

4) University Control of Compensation

University compensation for the communication device and plan is not considered an entitlement, is not part of an employee's base salary, and may be changed and/or withdrawn by the University at any time. It will be paid in monthly installments from departmental funds as authorized by the department head.

e) Fees for Contract Changes or Cancellation

1) Employee-initiated Change or Cancellation

If, prior to the end of the service contract, a personal decision by the employee, results in the need to end or change the service contract, the employee will bear the cost of any fees associated with that change or cancellation.

In extenuating circumstances, a department head may choose to waive this requirement.

Appendix A

Annual Mobile Communications Agreement for Employee-owned Devices and Service Plans with a Taxable Allowance

Annually, the department head must create an agreement that:

1. Documents the employee's need for mobile communication services
2. Outlines the requirements the employee will observe in obtaining a device and service plan that meets department requirements
3. States the monthly taxable allowance amount to be provided to the employee for a service plan that meets the business need for mobile communications
4. States the one-time taxable allowance, if any, for purchase of a mobile communications device

The department head and employee must both sign the completed agreement.

The form is available at <http://www.northwestern.edu/financial-operations/policies-procedures/forms/MobileAgreeTaxable.pdf>