

UC Davis Accounting and Financial Services

October 14, 2009

University Cell Phone Taxation Policy Suspended

The University of California cell phone policy implemented in June 2009 is being suspended until at least January 31, 2010. This policy required employees with university-owned cell phones to pay federal and state taxes based on an imputed cash value of their university cell phone and cell phone plan. The University has been providing a cash allowance to offset the additional taxes. The policy was in response to outdated tax laws that treat cell phones as fringe benefits even though they have become commonplace business tools.

The suspension was granted by the IRS in response to an appeal from President Yudof. It is based on the assumption that the Mobile Cell Phone Act of 2009 (H.R. 690 and S. 144), introduced this year to modernize the tax treatment of employer-provided cell phones, will be approved by Congress. If the legislation is not passed, the IRS has agreed to consider an additional extension for the University.

No action is required on the part of employees.

UCOP has automated the modifications to PPS so that cell phone imputed income and cash allowance DOS codes (CEL and CE2) currently established in PPS for employees with University-provided cell phone equipment have been updated with the following end dates: September 30, 2009 for monthly-paid employees and October 3, 2009 for biweekly-paid employees.

As of October 28 and October 30, 2009 for biweekly and monthly-paid employees, respectively, the imputed income and cash allowance to offset the additional tax withholding related to University-owned cell phones will no longer appear on employees' earnings statements.

For more information go to <http://cellphones.ucdavis.edu> or see Business and Finance Bulletin G-46 "Guidelines for the Purchase and Use of Cellular Phones and Other Portable Electronic Resources" at <http://www.ucop.edu/ucophome/policies/bfb/g46.pdf>.

Questions about this policy should be directed to the PPS Help Desk, 530-752-7750, or to departmental Payroll Specialists.

Michael Allred
Associate Vice Chancellor/Controller

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