Taxability of Cell Phone Stipends/Allowances

IRS Notice 2011-72 Addresses Employer-Provided Phones Only

IRS Notice 2011-72 addresses the treatment of employer-provided cell phones as an excludible fringe benefit. It provides that when an employer supplies an employee with a cell phone primarily for noncompensatory business reasons, the business and personal use of the cell phone is generally nontaxable to the employee. The notice further clarifies that there must be substantial reasons relating to the employer's business for providing the cell phone.

However, the notice did not address stipends or allowances provided to employees for business use of a personal cell phone. DOA inquired with IRS as to the taxability of such payments and received the following response:

"*Any stipends or payments to an employee so they can pay in part or in whole their own cell phone would be a taxable fringe benefit. All income is taxable regardless of the way it is provided unless specifically excluded by law.*"

Further, on the subject of "reimbursement" for business use of a personal phone, the response received stated "*If you reimburse based on an accountable plan (business connection, purpose, date, time, and amount), then it would not be taxable.*" Expense reimbursement or allowance arrangements are not considered taxable income if they are made under an accountable plan as defined by the Internal Revenue Service (IRS).

Under these rules, three tests must be met:
1. Expenses must have a business connection to the employer.
2. Expenses **must be substantiated** to the employer within a reasonable period of time.
3. Any excess reimbursement or allowance must be returned within a reasonable time.

Retirement Code LT Deactivates Optional Group Life

LT and OGL   Policy requires active COV group life insurance coverage in order for an employee to participate in Optional Group Life (OGL) Insurance deductions through payroll. Therefore, the online processing for retirement code 'LT' has been enhanced to also deactivate OGL (Deduction 035) when used.

Deleting Manual Paysets Reminder

Deleting Manual Paysets   Circumstances often require adjustments to the accumulated balances (e.g., earnings, deductions) stored in the CIPPS Masterfile. Adjustments to these balances are called Manual Pay Sets.

Once Manual Pay Sets are entered and edited transactions appear in the Pending File and are applied to the Masterfile. Upon certification and processing the adjustments are recorded through the General Ledger Interface creating the appropriate CARS transactions.

If the pay set is determined to be invalid after edit but prior to certification it should not be deleted using the BFM process. Data entry of a second manual payset reversing the original entry must be performed.

Manual paysets accidentally deleted through batch file maintenance must be reported to Denise Halderman at 804-371-8912.

Employee Name/Address Formatting

Name and Address Corrections   Be sure to have your employees verify their name and address information on their pay stub or in Payline. Name and address information should be the same in PMIS and CIPPS. Corrections made in PMIS will interface to CIPPS. The quickest way to review employee names in CIPPS is to scroll through the H0BLS screen. Employee addresses are only available on the H0BID screen.

Keep the following requirements in mind when entering employee name and address information on the H0BID screen in CIPPS:

1. Name must match exactly what is on social security card.
2. Name fields can only contain letters, numbers (0-9), spaces, hyphens, periods, and/or apostrophes. Do not use accent marks.
3. Suffixes must be in this format: last name,(space)suffix; for example, Smith, Jr
   Do not use periods after the suffix or extra spaces between the last name and suffix.
4. All names, addresses, city, state and zip code entries must begin in the first position of the field. Do not leave any blank spaces at the beginning.

Employee Name/Address Formatting, cont.

Name and Address Corrections, cont.

5. You must use a space or dash between the zip code and the extension; zip codes are five digits and extensions are four digits. For example, 22032-1712 or 22032 1712
6. Do not use periods in state abbreviations; for example, NC not N.C.
7. State abbreviations must be in the state field, not in the city field or zip code field. Do not use commas after the city name.
8. You must use alpha characters (letters) in the state abbreviations on the address line; for example, OH not 0H (zero-H is not Ohio)
9. You must use the official USPO two-position abbreviation for the state name; do not spell out the state name or try to extend it beyond two characters.

SSA Penalties

Failure to follow these formatting requirements may result in a mismatch between the employee's CIPPS record and SSA record which may result in a penalty of $50 per mismatched record:

- Correct names and SSNs on W-2 wage reports are the keys to the successful processing of your annual wage report submission and result in more accurate wage reports.
- Saves processing costs and reduces the number of W-2Cs.
- Allows Social Security to properly credit the employees' earnings record, which will be important information in determining their Social Security benefits in the future.