In This Issue of the Payroll Bulletin

Mobile Devices Allowances

CAPP Topic 50535

A new topic has been developed for the CAPP Manual entitled EMPLOYER PROVIDED FRINGE BENEFITS (Topic No. 50535). Among the fringe benefits discussed is the Virginia Information Technology Agency’s (VITA) updated Enterprise Architecture Standard which includes a Mobile Communication Use Technical Topic. This topic limits the use of mobile device allowances for employee-owned devices in the Commonwealth. All agencies should review both the CAPP Topic and the VITA Standard to ensure you are in compliance. All executive branch (non-higher education) agencies are limited to $45 per month allowance for smart phones only. Where higher education and non-executive branch agency allowances exceed the limits defined by the VITA policy, a taxable event occurs.

Mobile Device Special Pays

Two new special pays have been established to accommodate the taxable nature of mobile device allowances – one taxable and one non-taxable:

- 034- Mobile Device nontaxable and non-reportable (per VITA policy), and
- 035- Mobile Device taxable and reportable.

Both of these special payments will automatically default to object code 1217, Telecommunications Services (provided by Non-State vendor).

Some agencies have previously had other special pays established for this purpose; however, all agencies are to begin using the new special pay codes no later than April 1, 2013. Agencies must discontinue the use of any other special pay related to mobile devices allowances as they will be deactivated on April 2nd.
Mobile Workforce and State Taxing

**Tax Consequences for Out-of-State Travel**

Employees who travel to other states on official business may be subject to income withholding for that state in addition to their normal state tax withholding. The situation is complex as the employee responsibility and employer liability for non-resident tax withholdings varies from state to state.

When employees perform services outside of their resident state, many states require employers to withhold earnings and report taxable income to the state in which those services were performed in addition to their resident state. This is true when non-Virginia residents perform services in Virginia unless the earnings are exempt from withholding as defined in the “Commonwealth of Virginia Withholding Tax Guide” or the individual is a qualifying resident of a state with whom we have a reciprocal agreement (Pennsylvania, Maryland, West Virginia, Kentucky, and District of Columbia). If a reciprocal agreement exists and the employee qualifies, then only the resident state taxes need to be withheld.

- Maryland requires withholding on services performed in Maryland, but because Virginia has a reciprocal agreement with Maryland, Virginia residents who perform services in Maryland are exempt from the additional Maryland withholding and should submit form MW507 to claim exemption. ([http://forms.marylandtaxes.com/current_forms/Withholding_Guide.pdf](http://forms.marylandtaxes.com/current_forms/Withholding_Guide.pdf))

- New York state law requires that employers withhold New York state income taxes when wages are paid for services performed in New York ([http://www.tax.ny.gov/bus/wt/whtax_require.htm](http://www.tax.ny.gov/bus/wt/whtax_require.htm)). However, New York regulations do not require withholdings if the work performed less than 14 days in a calendar year. ([http://www.tax.ny.gov/pdf/memos/income/m12_5i.pdf](http://www.tax.ny.gov/pdf/memos/income/m12_5i.pdf)) If the 14 day rule requirement is met, withholdings are required in both states on the amount of earnings because Virginia does not have a reciprocal agreement with New York.

- Some locations like Texas and Wyoming have no state income tax and this is not an issue in those states.

If you have employees who plan on travelling out of state on official state business (this includes those employees who aid other states in emergency situations), the withholding requirements of the destination-state should be reviewed ahead of time by both the employer and employee to determine the potential withholding tax liabilities. **Employers can be held liable for taxes that are not withheld as directed by the laws of that state.**

CIPPS has some features that allow for withholdings in these situations. If you have the need to withhold earnings for employees conducting business on a temporary basis in other states contact State Payroll Operations for further assistance.