HENDERSON STATE UNIVERSITY

Vice President for Finance and Administration

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MEMORANDUM:

TO: HSU Faculty / Staff

FROM: Bobby G. Jones, Vice President for Finance and Administration

DATE: May 15, 2007

SUBJECT: Henderson State University Provided Cellular Telephones as A Taxable Fringe Benefit

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The IRS characterizes cellular phones as “listed property” which is susceptible to personal use and, therefore, increases the likelihood that employees receive taxable income. Employer-provided “listed property” subjects the employer and employee to strict IRS substantiation rules. To simplify these rules, Henderson will include as taxable income in the employee’s W-2 earnings, the Fair Market Value (FMV) of the cellular phone. The FMV will be cost of the phone, (one time value) plus the monthly phone service charge (on going).

This policy will be effective July 1, 2007. For those individuals that have cellular phones on that date, the monthly phone service will be added to their taxable income on a monthly basis. For individuals obtaining a cellular phone after July 1, 2007, the onetime cost of the phone and the monthly phone service will be added to their income on a monthly basis. Subsequent years will have only the monthly service charge added to the taxable income.

The monthly service charge will be the total monthly charge without regard to “minutes used”.

Cellular phones that are programmed to limit the incoming and outgoing calls to business only, i.e. “fireflies”, are not subject to this policy.

For the employees that now have a Henderson cellular phone and do not want to have the cost and monthly charges included in their taxable income, turn in the phone to the Director of Purchasing so that the plan you have can be cancelled. Henderson plans will not be converted to personal plans. While this plan will not be converted, an employee may keep the same phone number and sign up for a personal plan with a discount as a state employee.