

ACTTS
-------

**TO:** File  
**From:** ACTTS/FAD  
**Date:** May 1, 2001 Revised October 1, 2002

**Policy and Procedure: Telecommunication Service Payments**

*This revision expands the options for processing telecommunication service payments to all AP and Travel and Reimbursement systems.*

This paper refers to payments made by Harvard on behalf of an employee for telecommunication services including cellular phones, personal computers and internet/cable television service.

**Policy:**

**Business related payments for telecommunication services will be reimbursed or paid in full. Business related payments must satisfy IRS accountable plan rules (see *Definition of Accountable Plan*).**

**note: Business related transactions are also subject to Tub specific policies. Local units must check with their financial dean's (or equivalent) office.**

**Payments for telecommunication services that do not satisfy the IRS accountable plan rules will be considered non-business related. Non-business related payments for telecommunication services will be processed as taxable income to the employee.**

**note: Non-business related transactions are also subject to University and Tub specific policies. Local units must check with their financial dean's (or equivalent) office.**

**Background:**

To be treated as a non-taxable business expense, reimbursements or direct payments to telecommunication service providers by Harvard must satisfy IRS requirements for an "accountable plan" which include both documentation and substantiation of the business connection. Telecommunication service payments merely for the convenience of the employee do not satisfy the business connection test.

**Procedure:**

Substantiation and documentation of the business purpose is required for tax and reporting determination. Business related payments for telecommunication services may be processed through any of the AP or Travel and Reimbursement systems. While Web Voucher and Pcard do not require business purpose, they may be used for processing payments only if a business purpose is included.

note: Direct debits to Harvard accounts are not allowed.

*Pcard specific rules regarding telecommunications services:*

All charges must be for Harvard business.

If a charge has a non-Harvard business component it must be identified and reimbursed by the employee to Harvard (e.g., cell phone service used 50% for Harvard business and 50% for personal business).

- All transactions must be reviewed in the settlement system prior to being swept.
- A detailed business purpose must be included for each transaction.
- Original invoices must be retained and available for review in local units.

*Sponsored funds specific:*

- Telecommunication service charges may be charged to sponsored funds only when they have been approved and meet the terms and conditions of the sponsoring agency.

**Comments:** While it is recognized that telecommunication services are commonly used across the University community, Harvard has an obligation to ensure that IRS requirements are met when paying for such services.

**OGC clarification:** In many cases, it is appropriate to treat payments for telecommunication services made on behalf of employees as a necessary business expense when incurred in connection with Harvard business. In these circumstances payments would not be considered taxable income to the employee.

*note: these payments could be in the form of either a reimbursement to a Harvard employee or as a direct payment to vendors who are telecommunication service providers on behalf of a Harvard employee.*

*note: there may be situations where such payments are not deemed Harvard business and therefore are taxable; these transactions would be internally rerouted to the appropriate OFS system for processing.*

To be treated as a non taxable business expense, these reimbursements or direct payments must satisfy the IRS requirements for an "accountable plan," similar to travel expenses, and should not be merely for the convenience of the employee.

**Definition of Accountable Plan**

An accountable plan must satisfy the following requirements:

- *Business connection requirement-* expenses must be incurred while performing Harvard business. Web Voucher and Pcard have been designed to capture the business purpose; that is to obtain an employee statement detailing business use of the telecommunication service.
- *Substantiation requirement-* receipts must be kept on file and an allocation of business vs. personal use must be maintained
- *Return of excess payment requirement-* relates primarily to travel advances and is not relevant in the case of telecommunication service payments since reimbursements or direct payment to vendors will be for the exact amount

**Tub impact:**

- Tubs have business decisions to consider including the need to assess the dollar impact of reimbursing/paying for telecommunication services and establishment of a consistent and equitable policy defining criteria for determining expenditures that are business related.

Once that decision is made:

- Tubs must demonstrate that expenses paid are for business reasons and not merely for the convenience of the employee.
- Tubs are responsible for ensuring that documentation meets the IRS accountable plan rules.