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## Decades Old IRS Tax Law Shining Light on Telecom Expense Management Solutions

After toying with the idea of tightening compliance regulations to a 20-year-old law that calls for taxing employer-provided cell phones and personal digital assistants, the Internal Revenue Service is now asking the public to comment on its ideas to simplify documentation rules for tax employee use of employer-paid cell phones.

Under the current requirements, the 1989 law calls for employees to keep a record of each call and the time it is made, as well as its business purpose. These calls are expected to be itemized on a monthly statement and identified as personal or business, ultimately being reported to the IRS.

However, with the rapidly declining calling costs and proliferation of these devices over the past 20 years – use of mobile devices is more widespread and many corporate employees are kept tethered to work on an around-the-clock basis through the devices – separating business and personal use is practically unmanageable.

Senator John Kerry (D-Mass.), a senior member of the House Finance Committee, recently renewed his call to end an antiquated cell phone tax.

Sen. Kerry called the law obsolete and said it is unrealistic to require employers to constantly maintain detailed logs of all employee calls, text messages, and e-mails given the demand for instant communication that has saturated the market.

“Ten years is a lifetime in terms of the history of cell phone use,” said Sen. Kerry in a statement. “We need to modernize the laws to reflect the reality that cell phones, Blackberrys and text messaging are an everyday extension of the workplace and are here to stay.”

IRS officials were on their heels after this issue came to light.

“The current law, which has been on the books for many years, is burdensome, poorly understood by taxpayers, and difficult for the IRS to administer consistently,” said IRS Commissioner Doug Shulman in a statement. “Some have incorrectly implied that the IRS is ‘cracking down’ on employee use of employer-provided cell phones. To the contrary, the IRS is attempting to simplify the rules and eliminate uncertainty for businesses and individuals.”

Still, these laws remain on the table and until legislation is enacted otherwise, companies are on the hook for employee cell phone taxes.

However, all the talk of cell phone tax compliance has brought attention to the Telecom Expense Management and Mobility Management market, which focuses on managing telecommunication service expenses with a combination of software tools and professional services.

Because spending on mobility services is one of the fastest growing categories of expenses, creating effective telecom expense management solutions can be critical for any organization, whether in an effort to reign in costs or comply with federal tax requirements.

Telecom expense management is now big business.

In fact, by taking control of wireless mobility expenses, and learning the many obstacles that often stand in the way, the opportunities to realize significant savings can increase dramatically.

“Because wireless is so dynamic and expenses are getting out of hand for many enterprise customers, it becomes critical to have the visibility needed to control those expenses. We find that clients who use a solution such as ours are in a much better position to manage their wireless expenses and have visibility to whatever reporting or data that is required to run their business” said Lori Thomas, vice president of global head of client services at [TnT Expense Management](#).

The Connecticut-based company is a global provider of telecommunications and technology expense management provides a range of managed services designed to reduce or optimize telecom and wireless expenses for global enterprise clients in all major industries and government.

For the purposes of tax compliance, TnT's programs are equipped to handle all current government regulations.

“At TnT, we were proactive in building capabilities into our system that allows device users to identify call detail records as either being for Personal or Business use. Although we are in favor of repealing the law, we are prepared to meet customer needs if the law will remain and be enforced,” said Tony Bodetti, chief operating officer at TnT.

For now, the IRS says it is looking for ways to simplify reporting requirements, and eliminate the need for detailed records on each call. There are currently three proposals on the table to simplifying the reporting burden:

- Minimal personal use method
- Safe harbor substantiation method
- Statistical sampling method

While it now seems likely the 1989 law will be amended to some extent, the need for expense management telecom solutions is not going away. There will still be some level of compliance to report to the IRS, and of course, managing internal costs to save money will remain high on the list of priorities for any CFO.

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