Memorandum

To: Recipients of Technology Allowance Reimbursement

From: Terry Johnson, Associate VP & University Controller
        Carroll Reasoner, Vice President for Legal Affairs & General Counsel

RE: Important Notice Regarding Technology Allowance Reimbursement for Cellular Devices

Date: November 1, 2010

Due to a recent change in the federal tax law, the University will change how Technology Allowance Reimbursements are reported on the W-2 statement. Previously these payments were required to be treated as taxable wages and reported in Box 1 on the W-2. Beginning with the November 1, 2010 paycheck, the University will begin treating these reimbursements as exempt from federal & state income tax, as well as FICA tax.

In addition, the bill signed into law by President Obama on September 27, 2010 was made retroactive to January 1, 2010. To enable every employee to realize the full benefit of this law change, the University will process correcting entries on the November 1, 2010 payroll. There are two parts to this correcting entry:

1. Reversal of the cumulative taxable payments made year-to-date in calendar year 2010 (this will appear as a negative adjustment on your earnings statement under the caption “Allowance for Communication Device”). Note this adjustment will lower your withholding for federal and state income tax and FICA tax.

2. A reinstatement of the payments made year-to-date as a non-taxable reimbursement; this will include the payment due on November 1, 2010 (this will appear as a positive adjustment on your earnings statement under the caption “Reimbursement for Communication Device”)
   a. Since this payment is a non-taxable reimbursement, there is no longer a need to gross-up this payment to account for the negative effect of taxes on technology allowance payments.
   b. All payments are to be paid for the actual agreed upon reimbursement amount.

All future technology allowance reimbursements will continue to be made through payroll as a non-taxable reimbursement payment following the same protocol the University has been using for the last several years. Due to the change in federal tax law, all future payments will be for the actual refund amount approved by the supervisor not to exceed the actual invoice amount. The gross-up process is no longer necessary because this reimbursement is a non-taxable payment and will not be reflected as taxable wages on the W-2 statement. Finally, the reimbursement amount is expected to represent each individual’s business use; personal use must be considered as a deduction when determining the agreed upon reimbursement amount.

Please contact your HR representative if you have any questions regarding this change in reimbursement practice.