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Cell Phones No Longer A Taxable Benefit

...thank the Congress for an unusual level of common sense in making the law to exclude cell phone use from the list of taxable benefits.

Dave McClure • Sep. 30, 2010

President Barack Obama removed cell phones from the Internal Revenue Service listed property rule with the signing of the Small Business Jobs Act this week. As a result, cell phones provided by employers for personal use are no longer a taxable benefit under IRS rules.

The Mobile Cell Phone Act (HR 690) was first introduced in January 2009 and was sponsored by Rep. Samuel Johnson (R-TX) and Sen. John Kerry (D-MA) in the House and Senate, respectively.

I can understand why the IRS would wish to tax personal use of a company cell phone, in the same way they can tax other equipment for personal use. But unlike computers and automobiles, cell phones are something that few people can comfortably carry two or three of. You carry one. And since the use of this asset is based on tiered minutes, it may be difficult to separate out personal from business use in any meaningful way.

My compromise is this. Set up a business phone with a reasonable number of monthly minutes for business use. If the employee needs additional minutes for personal use, let them request an expansion of the monthly minutes use, and pay for the incremental difference in cost through payroll deduction or other edifice.

That's clean, simple, practical and honest.

And, in the mean time, thank the Congress for an unusual level of common sense in making the law to exclude cell phone use from the list of taxable benefits.

Blog

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