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DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

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December 14, 2017

COMPTROLLER'S MEMORANDUM NO. 2017-29

TO: Heads of Departments and Agencies
ATTN: Fiscal Offices
FROM: Roderick K. Becker, Comptroller
SUBJECT: Federal Per Diem Rates (CONUS)

In Notice 2017-54, the Internal Revenue Service has updated the federal per diem rates established by Notice 2016-58 for travel within the continental United States (CONUS). These standard rates affect the computation of the taxable portion of the per diem allowances paid to State of Hawaii officers and employees. The information in this memorandum therefore needs to be forwarded to the offices in your department responsible for the computation and reporting of the taxable portion of per diem allowances for payroll tax withholding purposes.

The following rates are to be used for computing, under the high-low substantiation method, the taxable portion of per diem for CONUS travel expenses paid or incurred on or after **January 1, 2018**.

	<u>High-Cost Locality</u>	<u>Low-Cost Locality</u>
Lodging	\$216	\$134
Meals and Incidental Expenses	<u>68</u>	<u>57</u>
Total federal rates	<u>\$284</u>	<u>\$191</u>

Attached is a copy of Notice 2017-54 which includes a list of the high-cost localities; all other CONUS localities are considered low-cost localities under the high-low substantiation method.

Should you have any questions on this matter, please call Marian Izumi of our Pre-Audit Branch at 586-0650.

Attachment

2017-2018 Special Per Diem Rates

Notice 2017-54

SECTION 1. PURPOSE

This annual notice provides the 2017-2018 special per diem rates for taxpayers to use in substantiating the amount of ordinary and necessary business expenses incurred while traveling away from home, specifically (1) the special transportation industry meal and incidental expenses (M&IE) rates, (2) the rate for the incidental expenses only deduction, and (3) the rates and list of high-cost localities for purposes of the high-low substantiation method.

SECTION 2. BACKGROUND

Rev. Proc. 2011-47, 2011-42 I.R.B. 520, provides rules for using a per diem rate to substantiate, under § 274(d) of the Internal Revenue Code and § 1.274-5 of the Income Tax Regulations, the amount of ordinary and necessary business expenses paid or incurred while traveling away from home. Taxpayers using the rates and list of high-cost localities provided in this notice must comply with Rev. Proc. 2011-47. Notice 2016-58, 2016-41 I.R.B. 438, provides the rates and list of high-cost localities for the period October 1, 2016, to September 30, 2017.

Section 3.02(3) of Rev. Proc. 2011-47 provides that the term "incidental expenses" has the same meaning as in the Federal Travel Regulations, 41 C.F.R. 300-3.1, and that future changes to the definition of incidental expenses in the Federal Travel Regulations would be announced in the annual per diem notice. Subsequent to the publication of Rev. Proc. 2011-47, the General Services Administration published final regulations revising the definition of incidental expenses under the Federal Travel Regulations to include only fees and tips given to porters, baggage carriers, hotel staff, and staff on ships. Transportation between places of lodging or business and places where meals are taken, and the mailing cost of filing travel vouchers and paying employer-sponsored charge card billings, are no longer included in incidental expenses. Accordingly, taxpayers using the per diem rates may separately deduct or be reimbursed for transportation and mailing expenses.

SECTION 3. SPECIAL M&IE RATES FOR TRANSPORTATION INDUSTRY

The special M&IE rates for taxpayers in the transportation industry are \$63 for any locality of travel in the continental United States (CONUS) and \$68 for any locality of travel outside the continental United States (OCONUS). See section 4.04 of Rev. Proc. 2011-47.

SECTION 4. RATE FOR INCIDENTAL EXPENSES ONLY DEDUCTION

The rate for any CONUS or OCONUS locality of travel for the incidental expenses only deduction is \$5 per day. See section 4.05 of Rev. Proc. 2011-47.

SECTION 5. HIGH-LOW SUBSTANTIATION METHOD

1. Annual high-low rates. For purposes of the high-low substantiation method, the per diem rates in lieu of the rates described in Notice 2016-58 (the per diem

substantiation method) are \$284 for travel to any high-cost locality and \$191 for travel to any other locality within CONUS. The amount of the \$284 high rate and \$191 low rate that is treated as paid for meals for purposes of § 274(n) is \$68 for travel to any high-cost locality and \$57 for travel to any other locality within CONUS. See section 5.02 of Rev. Proc. 2011-47. The per diem rates in lieu of the rates described in Notice 2016-58 (the meal and incidental expenses only substantiation method) are \$68 for travel to any high-cost locality and \$57 for travel to any other locality within CONUS.

2. High-cost localities. The following localities have a federal per diem rate of \$238 or more, and are high-cost localities for all of the calendar year or the portion of the calendar year specified in parentheses under the key city name.

<u>Key city</u>	<u>County or other defined location</u>
California	
Mill Valley/San Rafael/Novato (October 1-October 31 and June 1-September 30)	Marin
Monterey (July 1-August 31)	Monterey
Napa (October 1-October 31 and May 1-September 30)	Napa
Oakland (October 1-October 31 and January 1-September 30)	Alameda
San Francisco	San Francisco
San Mateo/Foster City/Belmont	San Mateo
Santa Barbara	Santa Barbara
Santa Monica	City limits of Santa Monica
Sunnyvale/Palo Alto/San Jose	Santa Clara
Colorado	
Aspen	Pitkin
Denver/Aurora	Denver, Adams, Arapahoe, and Jefferson
Grand Lake (December 1-March 31)	Grand
Silverthorne/Breckenridge (December 1-March 31)	Summit
Steamboat Springs	Routt

(December 1-March 31) Telluride Vail (December 1-March 31 and July 1-August 31)	San Miguel Eagle
Delaware Lewes (July 1-August 31)	Sussex
District of Columbia Washington D.C. (also the cities of Alexandria, Falls Church, and Fairfax, and the counties of Arlington and Fairfax, in Virginia; and the counties of Montgomery and Prince George's in Maryland) (See also Maryland and Virginia)	
Florida Boca Raton/Delray Beach/Jupiter (January 1-April 30) Fort Lauderdale (January 1-April 30) Fort Meyers (February 1-March 31) Fort Walton Beach/De Funiak Springs (June 1-July 31) Key West Miami (December 1-March 31) Naples (December 1-April 30)	Palm Beach and Hendry Broward Lee Okaloosa and Walton Monroe Miami-Dade Collier
Illinois Chicago (October 1-November 30 and April 1-September 30)	Cook and Lake
Maine Bar Harbor (October 1-October 31 and July 1-September 30)	Hancock
Maryland Ocean City (July 1-August 31) Washington, DC Metro Area	Worcester Montgomery and Prince George's
Massachusetts Boston/Cambridge	Suffolk, city of Cambridge

Falmouth
(July 1-August 31)
Hyannis
(July 1-August 31)
Martha's Vineyard
(June 1-September 30)
Nantucket
(June 1-September 30)

City limits of Falmouth

Barnstable less the city of
Falmouth
Dukes

Nantucket

Michigan
Petoskey
(July 1-August 31)
Traverse City/Leland
(July 1-August 31)

Emmet

Grand Traverse and Leelanau

New York
Lake Placid
(July 1-August 31)
New York City

Saratoga Springs/Schenectady
(July 1-August 31)

Essex

Bronx, Kings, New York, Queens,
and Richmond
Saratoga and Schenectady

Oregon
Portland
(October 1-October 31 and March 1-September 30)
Seaside
(July 1-August 31)

Multnomah

Clatsop

Pennsylvania
Hershey
(June 1-August 31)
Philadelphia
(October 1-November 30 and
April 1-September 30)

Hershey

Philadelphia

Rhode Island
Jamestown/Middletown/Newport
(October 1-October 31 and
June 1-September 30)

Newport

South Carolina
Charleston
(October 1-November 30 and
March 1-September 30)

Charleston, Berkeley and
Dorchester

Utah	
Park City (December 1-March 31)	Summit
Virginia	
Virginia Beach (June 1-August 31)	City of Virginia Beach
Wallops Island (July 1-August 31)	Accomack
Washington, DC Metro Area	Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax
Washington	
Seattle	King
Vancouver (October 1-October 31 and March 1-September 30)	Clark, Cowlitz, and Skamania
Wyoming	
Jackson/Pinedale (June 1-September 30)	Teton and Sublette

3. Changes in high-cost localities. The list of high-cost localities in this notice differs from the list of high-cost localities in section 5 of Notice 2016-58.

- a. The following localities have been added to the list of high-cost localities:
Oakland, California; Lewes, Delaware; Fort Myers, Florida; Hyannis, Massachusetts; Petoskey, Michigan; Portland, Oregon; Vancouver, Washington.
- b. The following localities have changed the portion of the year in which they are high-cost localities: Aspen, Colorado; Denver/Aurora, Colorado; Telluride, Colorado; Vail, Colorado; Bar Harbor, Maine; Ocean City, Maryland; Nantucket, Massachusetts; Philadelphia, Pennsylvania; Jamestown/Middletown/Newport, Rhode Island; Jackson/Pinedale, Wyoming.
- c. The following localities have been removed from the list of high-cost localities:
Sedona, Arizona; Los Angeles, California; Vero Beach, Florida; Kill Devil, North Carolina.

SECTION 6. EFFECTIVE DATE

This notice is effective for per diem allowances for lodging, meal and incidental expenses, or for meal and incidental expenses only, that are paid to any employee on or after October 1, 2017, for travel away from home on or after October 1, 2017. For purposes of computing the amount allowable as a deduction for travel away from home, this notice is effective for meal and incidental expenses or for incidental expenses only paid or incurred on or after October 1, 2017. See sections 4.06 and 5.04 of Rev. Proc. 2011-47 for transition rules for the last 3 months of calendar year 2017.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2016-58 is superseded.

DRAFTING INFORMATION

The principal author of this notice is Elizabeth Binder of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice contact Ms. Binder at (202) 317-7005 (not a toll-free call).