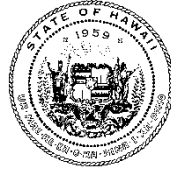


DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
COMPTROLLER
AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

December 12, 2018

COMPTROLLER'S MEMORANDUM NO. 2018-23

TO: Heads of Departments and Agencies

ATTN: Fiscal Offices

FROM: Roderick K. Becker, Comptroller

A handwritten signature in black ink, appearing to read "Roderick K. Becker".

SUBJECT: Federal Per Diem Rates (CONUS)

In Notice 2018-77, the Internal Revenue Service has updated the federal per diem rates established by Notice 2017-54 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, 2019**.

	<u>High-Cost Locality</u>	<u>Low-Cost Locality</u>
Lodging	\$216	\$135
Meals and Incidental Expenses	<u>71</u>	<u>60</u>
Total federal rates	<u>\$287</u>	<u>\$195</u>

Attached is a copy of Notice 2018-77 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

2018-2019 Special Per Diem Rates

Notice 2018-77

SECTION 1. PURPOSE

This annual notice provides the 2018-2019 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 (or successor), 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 (or successor). Notice 2017-54, 2017-42 I.R.B. 321, provides the rates and list of high-cost localities for the period October 1, 2017, to September 30, 2018.

Section 3.02(3) of Rev. Proc. 2011-47 (or successor) 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, if permitted, 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 \$66 for any locality of travel in the continental United States (CONUS) and \$71 for any locality of travel outside the continental United States (OCONUS). See section 4.04 of Rev. Proc. 2011-47 (or successor).

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 (or successor).

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 2017-54 (the per diem substantiation method) are \$287 for travel to any high-cost locality and \$195 for travel to any other locality within CONUS. The amount of the \$287 high rate and \$195 low rate that is treated as paid for meals for purposes of § 274(n) is \$71 for travel to any high-cost locality and \$60 for travel to any other locality within CONUS. See section 5.02 of Rev. Proc. 2011-47 (or successor). The per diem rates in lieu of the rates described in Notice 2017-54 (the meal and incidental expenses only substantiation method) are \$71 for travel to any high-cost locality and \$60 for travel to any other locality within CONUS.

2. High-cost localities. The following localities have a federal per diem rate of \$241 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>
Arizona Sedona	City Limits of Sedona
California Los Angeles (October 1-October 31 and January 1-September 30)	Los Angeles, Orange, Ventura, Edwards AFB less the city of Santa Monica
Monterey (July 1-August 31)	Monterey
Napa (October 1-October 31 and May 1-September 30)	Napa
Oakland	Alameda
San Diego (January 1-July 31)	San Diego
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
(October 1-March 31 and
June 1-September 30)
Denver/Aurora

Pitkin

Denver, Adams, Arapahoe,
and Jefferson
Grand

Grand Lake
(December 1-March 31)
Silverthorne/Breckenridge
(December 1-March 31)

Summit

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
(December 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
(February 1-April 30)
Vero Beach
(December 1-April 30)

Palm Beach and Hendry

Broward

Lee

Okaloosa and Walton

Monroe
Miami-Dade

Collier

Indian River

Georgia

Jekyll Island/Brunswick
(March 1-July 31)

Glynn

Illinois Chicago (October 1-November 30 and April 1-September 30)	Cook and Lake
Maine Bar Harbor/Rockport (July 1-August 31)	Hancock and Knox
Maryland Ocean City (July 1-August 31) Washington, DC Metro Area	Worcester Montgomery and Prince George's
Massachusetts Boston/Cambridge (October 1-November 30 and March 1-September 30) Falmouth (July 1-August 31) Hyannis (July 1-August 31) Martha's Vineyard (June 1-September 30) Nantucket (June 1-September 30)	Suffolk, City of Cambridge City limits of Falmouth Barnstable less the city of Falmouth Dukes Nantucket
Michigan Traverse City (July 1-August 31)	Grand Traverse
Minnesota Duluth (June 1-August 31)	St. Louis
New York Lake Placid (July 1-August 31) New York City	Essex Bronx, Kings, New York, Queens, and Richmond
Oregon Portland (October 1-October 31 and April 1-September 30) Seaside (July 1-August 31)	Multnomah Clatsop

Pennsylvania	
Hershey	Hershey
(June 1-August 31)	
Philadelphia	Philadelphia
(October 1-November 30 and	
April 1-September 30)	
Rhode Island	
Jamestown/Middletown/Newport	Newport
(June 1-August 31)	
South Carolina	
Charleston	Charleston, Berkeley, and
(October 1-October 31 and	Dorchester
March 1-September 30)	
Texas	
Pecos	Reeves
(January 1-March 31)	
Utah	
Moab	Grand
(October 1-October 31 and	
March 1-September 30)	
Park City	Summit
(December 1-March 31)	
Virginia	
Virginia Beach	City of Virginia Beach
(June 1-August 31)	
Wallops Island	Accomack
(July 1-August 31)	
Washington, DC Metro Area	Cities of Alexandria, Fairfax, and
	Falls Church; Counties of
	Arlington and Fairfax
Washington	
Seattle	King
Vancouver	Clark, Cowlitz, and Skamania
(October 1-October 31 and	
April 1-September 30)	
Wyoming	
Cody	Park
(June 1-September 30)	

Jackson/Pinedale
(July 1-August 31)

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 2017-54.

- a. The following localities have been added to the list of high-cost localities:
Sedona, Arizona; Los Angeles, California; San Diego, California; Vero Beach, Florida; Jekyll Island/Brunswick, Georgia; Duluth, Minnesota; Pecos, Texas; Moab, Utah; Cody, Wyoming.
- b. The following localities have changed the portion of the year in which they are high-cost localities: Oakland, California; Aspen, Colorado; Boca Raton/Delray Beach/Jupiter, Florida; Naples, Florida; Bar Harbor/Rockport, Maine; Boston/Cambridge, Massachusetts; Jamestown/Middletown/Newport, Rhode Island; Charleston, South Carolina; Vancouver, Washington; Jackson/Pinedale, Wyoming.
- c. The following localities have been removed from the list of high-cost localities: Mill Valley/San Rafael/ Novato, California; Steamboat Springs, Colorado; Petoskey, Michigan; Saratoga Springs/Schenectady, New York.
- d. The following localities have been redefined: Traverse City, Michigan no longer includes Leland; Bar Harbor, Maine now includes Rockport.

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, 2018, for travel away from home on or after October 1, 2018. 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, 2018. See sections 4.06 and 5.04 of Rev. Proc. 2011-47 (or successor) for transition rules for the last 3 months of calendar year 2018.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2017-54 is superseded.

DRAFTING INFORMATION

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