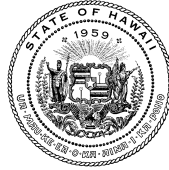


DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
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DEPUTY COMPTROLLER

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

December 1, 2020

COMPTROLLER'S MEMORANDUM NO. 2020-27

TO: Heads of Departments and Agencies

ATTN: Fiscal Offices

FROM: Curt T. Otaguro, Comptroller

SUBJECT: Federal Per Diem Rates (CONUS)

In Notice 2020-71, the Internal Revenue Service has updated the federal per diem rates established by Notice 2019-55 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, 2021**.

| | <u>High-Cost Locality</u> | <u>Low-Cost Locality</u> |
|-------------------------------|-------------------------------|------------------------------|
| Lodging | \$221 | \$138 |
| Meals and Incidental Expenses | <u>71</u> | <u>60</u> |
| Total federal rates | <u>\$292</u> | <u>\$198</u> |

Attached is a copy of Notice 2020-71 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 Theoni Wong of our Pre-Audit Branch at 586-0663.

Attachment

2020-2021 Special Per Diem Rates

Notice 2020-71

SECTION 1. PURPOSE

This annual notice provides the 2020-2021 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. 2019-48, 2019-51 I.R.B. 1392 (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. 2019-48 (or successor). Notice 2019-55, 2019-42 I.R.B. 937, provides the rates and list of high-cost localities for the period October 1, 2019, to September 30, 2020.

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. 2019-48 (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. 2019-48 (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 2019-55 (the per diem substantiation method) are \$292 for travel to any high-cost locality and \$198 for travel to any other locality within CONUS. The amount of the \$292 high rate and \$198 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. 2019-48 (or successor). The per diem rates in lieu of the rates described in Notice 2019-55 (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 \$245 or more, and are high-cost localities for the specified portion of the calendar year.

| Key City | County or Other Defined Location | Portion of Calendar Year |
|----------|----------------------------------|--------------------------|
|----------|----------------------------------|--------------------------|

Arizona

| | | |
|--------|-----------------------|--|
| Sedona | City Limits of Sedona | October 1 – December 1, March 1 – April 30, and September 1 – September 30 |
|--------|-----------------------|--|

California

| | | |
|-------------------------------|---|---|
| Los Angeles | Los Angeles, Orange, Ventura, Edwards AFB less the city of Santa Monica | October 1 - October 31 and January 1 - September 30 |
| Mill Valley/San Rafael/Novato | Marin | October 1 – October 31 and June 1 – September 30 |
| Monterey | Monterey | June 1 – August 31 |
| Napa | Napa | October 1 – November 30 and April 1 – September 30 |
| Oakland | Alameda | October 1 – September 30 |
| San Diego | San Diego | February 1 – July 31 |
| San Francisco | San Francisco | October 1 – September 30 |
| San Mateo/Foster City/Belmont | San Mateo | October 1 – September 30 |
| Santa Barbara | Santa Barbara | October 1 – September 30 |
| Santa Monica | City limits of Santa Monica | October 1 – September 30 |
| Sunnyvale/Palo Alto/San Jose | Santa Clara | October 1 – September 30 |

Colorado

| | | |
|----------------------------|--|---|
| Aspen | Pitkin | October 1 – March 31 and June 1 – September 30 |
| Crested Butte /Gunnison | Gunnison | December 1 – March 31 |
| Denver/Aurora | Denver, Adams, Arapahoe, and Jefferson | October 1 – October 31 and April 1 – September 30 |
| Grand Lake | Grand | December 1 – March 31 |
| Silverthorne/ Breckenridge | Summit | December 1 – March 31 |
| Telluride | San Miguel | October 1 – September 30 |
| Vail | Eagle | October 1 – September 30 |

Delaware

| | | |
|-------|--------|--------------------|
| Lewes | Sussex | July 1 – August 31 |
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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) | October 1 – September 30 |
|---|--------------------------|

Florida

| | | |
|-------------------------------------|-----------------------|-----------------------|
| Boca Raton/Delray Beach/Jupiter | Palm Beach and Hendry | December 1 – April 30 |
| Fort Lauderdale | Broward | January 1 – April 30 |
| Fort Meyers | Lee | February 1 – March 31 |
| Fort Walton Beach/De Funiak Springs | Okaloosa and Walton | June 1 – July 31 |
| Gulf Breeze | Santa Rosa | June 1 – July 31 |
| Key West | Monroe | October 1 – July 31 |
| Miami | Miami-Dade | December 1 – March 31 |
| Naples | Collier | December 1 – April 30 |
| Vero Beach | Indian River | December 1 – April 30 |

Georgia

| | | |
|-------------------------|-------|-------------------|
| Jekyll Island/Brunswick | Glynn | March 1 – July 31 |
|-------------------------|-------|-------------------|

Illinois

| | | |
|---------|---------------|--|
| Chicago | Cook and Lake | October 1 – November 30 and April 1 – September 30 |
|---------|---------------|--|

Maine

| | | |
|---------------------------|------------------|--------------------|
| Bar Harbor/Rockport | Hancock and Knox | July 1 – August 31 |
| Kennebunk/Kittery/Sanford | York | July 1 – August 31 |

Maryland

| | | |
|---------------------------|--------------------------------|--------------------------|
| Ocean City | Worcester | July 1 – August 31 |
| Washington, DC Metro Area | Montgomery and Prince George's | October 1 – September 30 |

Massachusetts

| | | |
|------------------|--------------------------------------|--------------------------|
| Boston/Cambridge | Suffolk, City of Cambridge | October 1 – September 30 |
| Falmouth | City limits of Falmouth | July 1 – August 31 |
| Hyannis | Barnstable less the city of Falmouth | July 1 – August 31 |

| | | |
|-------------------|-----------|-----------------------|
| Martha's Vineyard | Dukes | June 1 – September 30 |
| Nantucket | Nantucket | June 1 – September 30 |

Michigan

| | | |
|---------------|----------------|--------------------|
| Petoskey | Emmet | July 1 – August 31 |
| Traverse City | Grand Traverse | July 1 – August 31 |

Montana

| | | |
|--------------------------------------|-------------------|-----------------------|
| Big Sky/West Yellowstone/Gardiner | Gallatin and Park | June 1 – September 30 |
|--------------------------------------|-------------------|-----------------------|

New Mexico

| | | |
|----------|------|--------------------------|
| Carlsbad | Eddy | October 1 – September 30 |
|----------|------|--------------------------|

New York

| | | |
|---------------|---|---|
| Lake Placid | Essex | July 1 – August 31 |
| New York City | Bronx, Kings, New York, Queens, and Richmond | October 1 – December 31 and March 1 – September 30 |

Oregon

| | | |
|----------|-----------|---|
| Portland | Multnomah | October 1 – October 31 and June 1 – September 30 |
| Seaside | Clatsop | July 1 – August 31 |

Pennsylvania

| | | |
|--------------|--------------|--|
| Hershey | Hershey | June 1 – August 31 |
| Philadelphia | Philadelphia | October 1 – November 30, March 1 – June 30, and September 1 – September 30 |

Rhode Island

| | | |
|----------------------------------|---------|---|
| Jamestown/ Middletown/Newport | Newport | October 1 – October 31 and June 1 – September 30 |
|----------------------------------|---------|---|

South Carolina

| | | |
|------------|---|---|
| Charleston | Charleston, Berkeley, and Dorchester | October 1 – November 30 and March 1 – September 30 |
|------------|---|---|

Tennessee

| | | |
|-----------|----------|--------------------------|
| Nashville | Davidson | October 1 – September 30 |
|-----------|----------|--------------------------|

Utah

| | | |
|-----------|--------|-----------------------|
| Park City | Summit | December 1 – March 31 |
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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 | October 1 – September 30 |

Washington

| | | |
|-----------|------------------------------|--|
| Seattle | King | October 1 – September 30 |
| Vancouver | Clark, Cowlitz, and Skamania | October 1 – October 31 and June 1 – September 30 |

Wyoming

| | | |
|------------------|--------------------|-----------------------|
| Cody | Park | June 1 – September 30 |
| Jackson/Pinedale | Teton and Sublette | June 1 – September 30 |

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 2019-55.

- a. The following localities have been added to the list of high-cost localities: Los Angeles, California; San Diego, California; Gulf Breeze, Florida; Kennebunk/Kittery/Sanford, Maine; Virginia Beach, Virginia.
- b. The following localities have changed the portion of the year in which they are high-cost localities: Sedona, Arizona; Monterey, California; Santa Barbara, California; District of Columbia (see also Maryland and Virginia); Naples, Florida; Jekyll Island/Brunswick, Georgia; Boston/Cambridge, Massachusetts; Philadelphia, Pennsylvania; Jamestown/Middletown/Newport, Rhode Island; Charleston, South Carolina.
- c. The following localities have been removed from the list of high-cost localities: Midland/Odessa, Texas; Pecos, Texas.

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, 2020, for travel away from home on or after October 1, 2020. 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, 2020. See sections 4.06 and 5.04 of Rev. Proc. 2019-48 (or successor) for transition rules for the last 3 months of calendar year 2020.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2019-55 is superseded.

DRAFTING INFORMATION

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