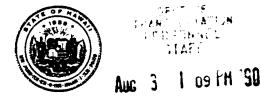
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P. O. BOX 119 HONOLULU, HAWAII 96810-0119

August 2, 1990

COMPTROLLER'S MEMORANDUM NO. 1990-19

TO: Heads of Departments

ATTN.: Fiscal Offices

FROM: Russel S. Nagata, Comptroller

SUBJECT: Payroll Withholdings on Excess Travel

and Other Reimbursements

This memorandum supplements two earlier ones on the above subject. For background, you may wish to refer to:

Comptroller's Memorandum No. 1990-13, dated June 7, 1990

Comptroller's Memorandum No. 1990-18, dated July 11, 1990

As announced by the first of the above memorandums, training sessions were conducted during the last two weeks of June to familiarize departmental staffs with the new procedure for tax withholding on certain allowances paid to State employees. The content of the training sessions was based on temporary regulations of the Internal Revenue Service and related Revenue Procedures.

Subsequent to the training sessions, we have received the Internal Revenue Service's Revenue Procedure 90-38, issued June 20, 1990, revising the requirement for tax withholding on per diem allowances. The purpose of this memorandum is to document the revision to the procedure for calculation of tax withholding on those allowances.

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The portion of Revenue Procedure 90-38 pertinent to this memorandum is Sec. 4, which provides that, when the State pays for actual expenses for lodging, only the portion of the per diem allowance allocable to meals and incidental expenses is subject to the calculation of a taxable amount for tax withholding purposes. The State in effect pays for actual expenses for lodging whenever approval is given to a traveler for "excess lodging"; in those cases, therefore, only the meals and incidental expenses portion of the per diem allowance should be involved in the calculation of the per diem amount subjected to tax withholding.

Under current collective bargaining agreements and similar administrative authorizations, the meals and incidental expenses portion of the per diem allowance can be determined as follows:

	Intra- State	Out-of- State
Full per diem rate	\$75	\$125
Commercial lodging allowance	_50	85
Remainder for meals and incidental expenses	\$25	\$ 40

The above amounts (\$25 for intra-state, and \$40 for out-of-state) are the amounts to be compared with the appropriate federally allowed amount to calculate the amount on which tax must be withheld. For travel within the continental United States, the federally allowed amount for meals and incidental expenses is currently either \$34 per day when travel is to a high-cost locality or \$26 per day when travel is to a low-cost locality. For all other travel, the federally allowed amount for meals and incidental expenses is 40% of the full per diem rate. Attached is an illustration of a sample Statement of Completed Travel and the associated calculation sheet covering an example of travel to a low-cost area within the continental United States. This illustration supplements the illustrations provided in the training sessions in June.

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Please keep in mind that the revision documented in this memorandum applies only in those cases in which "excess lodging" is approved for payment to the traveler. In all other respects, the information provided in the training sessions and in our earlier memorandums remains in effect.

RUSSEL S. NAGATA Comptroller

Attachment

STATEMENT OF COMPLETED TRAVEL

nment:	Payroli #: 125		A 17	Noyee Name John Q. Public S.S.#	243-96-4069	9 Payroll # 125
Check One: Within	Date: i State ! State		В.	Date of Departure: 7/1/90 Destination: San Mateo, Ca.	Date of Return	7/2/80
In accordance with Section 78-15, HRS, as amend and Regulations, I certify that I traveled from to San Hateo, Ca. on official busine	Nonolulu. Hi.	_	D. B.	Total Number of Days: Total Per Diem Received:		3.0 S_120.00 (3)
Date of Return: 7/1/90 Date of Return: 7/3/90	Time:			Pederally Allowed Amount (D x 26 /day): Taxable Amount (E - F, but not less than 0)	(L)	\$
This travel was authorized by on		s	Instru a. b.			
Per Diem:Q Quarter day (s) Pull day (s) Allowable Expenses (see attached statement)	375.00	<u> </u>	Instra	change schedule. Ictions for Coding on Payroll Change. Locate the employee name and social securit	Schedule: ty number oa th	ne payroll change schedule.
Due State C		\$ \$_1421.00	ъ. с.	Enter on the first available line in the "Wage amount from F. Enter on the next available line in the "Wage amount from G.		
John Q. Public 243-96-4 (Signature of Claiment) (Social	069 al Security Number)	BU No.		gustain som of		

Calculation of Reportable and Taxable Per Diem

To Be Used With Statement of Completed Travel and Statement of Intra-State Travel Completed

- 1) Analysis reveals that additional monies were received for lodging.
- 2) Total per diem received by the employee was \$375.00 (\$125 per day times 3 days).
- 3) Since additional monies for lodging were included in allowable expenses, only payments for meals and incidentals are used to calculate reportable and taxable amounts.
- 4) The federal allowed amount for meals and incidentals for low cost areas is \$26 per day.