December 12, 2018

COMPTROLLER’S MEMORANDUM NO. 2018-23

TO: Heads of Departments and Agencies

ATTN: Fiscal Offices

FROM: Roderick K. Becker, Comptroller

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.

<table>
<thead>
<tr>
<th></th>
<th>High-Cost Locality</th>
<th>Low-Cost Locality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>$216</td>
<td>$135</td>
</tr>
<tr>
<td>Meals and Incidental Expenses</td>
<td>71</td>
<td>60</td>
</tr>
<tr>
<td>Total federal rates</td>
<td>$287</td>
<td>$195</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Key city</th>
<th>County or other defined location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>City Limits of Sedona</td>
</tr>
<tr>
<td>Sedona</td>
<td></td>
</tr>
<tr>
<td>California</td>
<td></td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Los Angeles, Orange, Ventura, Edwards AFB less the city of</td>
</tr>
<tr>
<td>(October 1-October 31 and</td>
<td>Santa Monica</td>
</tr>
<tr>
<td>January 1-September 30)</td>
<td>Monterey</td>
</tr>
<tr>
<td>Monterey</td>
<td>Napa</td>
</tr>
<tr>
<td>(July 1-August 31)</td>
<td></td>
</tr>
<tr>
<td>Napa</td>
<td></td>
</tr>
<tr>
<td>(October 1-October 31 and</td>
<td></td>
</tr>
<tr>
<td>May 1-September 30)</td>
<td></td>
</tr>
<tr>
<td>Oakland</td>
<td>Alameda</td>
</tr>
<tr>
<td>San Diego</td>
<td>San Diego</td>
</tr>
<tr>
<td>(January 1-July 31)</td>
<td></td>
</tr>
<tr>
<td>San Francisco</td>
<td>San Francisco</td>
</tr>
<tr>
<td>San Mateo/Foster City/Belmont</td>
<td>San Mateo</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>Santa Barbara</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>City limits of Santa Monica</td>
</tr>
<tr>
<td>Sunnyvale/Palo Alto/San Jose</td>
<td>Santa Clara</td>
</tr>
</tbody>
</table>
Colorado
Aspen
(October 1-March 31 and
June 1-September 30)
Denver/Aurora
Denver, Adams, Arapahoe,
and Jefferson
Grand
Silverthorne/Breckenridge
(December 1-March 31)
Telluride
Summit
Vail
San Miguel
(December 1-March 31 and
July 1-August 31)
Eagle

Delaware
Lewes
Sussex
(July 1-August 31)

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
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)
Key West
Monroe
Miami
Miami-Dade
(December 1-March 31)
Naples
Collier
(February 1-April 30)
Vero Beach
Indian River
(December 1-April 30)

Georgia
Jekyll Island/Brunswick
Glynn
(March 1-July 31)
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)
    City limits of Falmouth
    Barnstable less the city of
    Falmouth
    Dukes
    Nantucket

Michigan
    Traverse City
      (July 1-August 31)

Minnesota
    Duluth
      (June 1-August 31)

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

Rhode Island
Jamestown/Middletown/Newport
(June 1-August 31)

South Carolina
Charleston
(October 1-October 31 and
March 1-September 30)

Texas
Pecos
(January 1-March 31)

Utah
Moab
(October 1-October 31 and
March 1-September 30)
Park City
(December 1-March 31)

Virginia
Virginia Beach
(June 1-August 31)
Wallops Island
(July 1-August 31)
Washington, DC Metro Area

Washington
Seattle
Vancouver
(October 1-October 31 and
April 1-September 30)

Wyoming
Cody
(June 1-September 30)

Hershey
Philadelphia
Newport
Charleston, Berkeley, and
Dorchester
Reeves
Grand
Summit
City of Virginia Beach
Accomack
Cities of Alexandria, Fairfax, and
Falls Church; Counties of
Arlington and Fairfax
King
Clark, Cowlitz, and Skamania
Park
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).