December 17, 2019

COMPTROLLER’S MEMORANDUM NO.  2019-26

TO:   Heads of Departments and Agencies

ATTN:  Fiscal Offices

FROM: Curt T. Otaguro, Comptroller

SUBJECT:  Federal Per Diem Rates (CONUS)

In Notice 2019-55, the Internal Revenue Service has updated the federal per diem rates established by Notice 2018-77 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, 2020.

<table>
<thead>
<tr>
<th></th>
<th>High-Cost Locality</th>
<th>Low-Cost Locality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>$226</td>
<td>$140</td>
</tr>
<tr>
<td>Meals and Incidental Expenses</td>
<td>71</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total federal rates</strong></td>
<td><strong>$297</strong></td>
<td><strong>$200</strong></td>
</tr>
</tbody>
</table>

Attached is a copy of Notice 2019-55 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 586-0650.

Attachment
SECTION 1. PURPOSE

This annual notice provides the 2019-2020 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 2018-77, 2018-42 I.R.B. 601, provides the rates and list of high-cost localities for the period October 1, 2018, to September 30, 2019.
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 2018-77 (the *per diem* substantiation method) are $297 for travel to any high-cost locality and $200 for travel to any other locality within CONUS. The amount of the $297 high rate and $200 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 2018-77 (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 $248 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></td>
</tr>
<tr>
<td>Sedona</td>
<td>City Limits of Sedona</td>
</tr>
<tr>
<td>California</td>
<td></td>
</tr>
<tr>
<td>Mill Valley/San Rafael/Novato</td>
<td>Marin</td>
</tr>
<tr>
<td>(October 1-October 31 and June 1-September 30)</td>
<td></td>
</tr>
<tr>
<td>Monterey</td>
<td>Monterey</td>
</tr>
<tr>
<td>(July 1-August 31)</td>
<td></td>
</tr>
<tr>
<td>Napa</td>
<td>Napa</td>
</tr>
<tr>
<td>(October 1-November 30 and April 1-September 30)</td>
<td></td>
</tr>
<tr>
<td>Oakland</td>
<td>Alameda</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>(July 1-August 31)</td>
<td>City limits of Santa Monica</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>Santa Clara</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)
Crested Butte/Gunnison
   (December 1-March 31)
Denver/Aurora
   (October 1-October 31
    and April 1-September 30)
Grand Lake
   (December 1-March 31)
Silverthorne/Breckenridge
   (December 1-March 31)
Telluride
Vail

Delaware
Lewes
   (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)
   (October 1-June 30
    and September 1-September 30)

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
   (October 1-July 31)
Miami
   (December 1-March 31)
Naples
   (February 1-April 30)
Vero Beach
   (December 1-April 30)

Georgia

Pitkin
Gunnison
Denver, Adams, Arapahoe, and Jefferson
Grand
Summit
San Miguel
Eagle
Sussex

Palm Beach and Hendry
Broward
Lee
Okaloosa and Walton
Monroe
Miami-Dade
Collier
Indian River
Jekyll Island/Brunswick 
(June 1-July 31)

Illinois 
Chicago 
(October 1-November 30 and 
April 1-September 30)

Maine 
Bar Harbor/Rockport 
(July 1-August 31)

Maryland 
Ocean City 
(July 1-August 31)

Washington, DC Metro Area 
(October 1-June 30 
and September 1-September 30)

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)

Michigan 
Petoskey 
(July 1-August 31)

Traverse City 
(July 1-August 31)

Montana 
Big Sky/West Yellowstone/Gardiner 
(June 1-September 30)

New Mexico 
Carlsbad 
Eddy

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

Oregon
Portland
(October 1-October 31 and June 1-September 30)
Seaside
(July 1-August 31)
Multnomah
Clatsop

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

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

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

Tennessee
Nashville
Davidson

Texas
Midland/Odessa
Pecos
Midland, Andrews, Ector, and Martin
Reeves

Utah
Park City
(December 1-March 31)
Summit

Virginia
Wallops Island
(July 1-August 31)
Washington, DC Metro Area
(October 1-June 30
Accomack
Cities of Alexandria, Fairfax, and Falls Church; Counties of
and September 1-September 30) Arlington and Fairfax

Washington
Seattle King
Vancouver Clark, Cowlitz, and Skamania
(October 1-October 31 and June 1-September 30)

Wyoming
Cody Park
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 2018-77.

a. The following localities have been added to the list of high-cost localities: Mill Valley/San Rafael/Novato, California; Crested Butte/Gunnison, Colorado; Petoskey, Michigan; Big Sky/West Yellowstone/Gardiner, Montana; Carlsbad, New Mexico; Nashville, Tennessee; Midland/Odessa, Texas.

b. The following localities have changed the portion of the year in which they are high-cost localities: Napa, California; Santa Barbara, California; Denver, Colorado; Vail, Colorado; Washington D.C., District of Columbia; Key West, Florida; Jekyll Island/Brunswick, Georgia; New York City, New York; Portland, Oregon; Philadelphia, Pennsylvania; Pecos, Texas; Vancouver, Washington; Jackson/Pinedale, Wyoming.

c. The following localities have been removed from the list of high-cost localities: Los Angeles, California; San Diego, California; Duluth, Minnesota; Moab, Utah; Virginia Beach, Virginia.

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, 2019, for travel away from home on or after October 1, 2019. 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, 2019. 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 2019.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2018-77 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).