

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)	Pitkin
Denver/Aurora	Denver, Adams, Arapahoe, and Jefferson
Grand Lake (December 1-March 31)	Grand
Silverthorne/Breckenridge (December 1-March 31)	Summit
Telluride	San Miguel
Vail (December 1-March 31 and July 1-August 31)	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)	Palm Beach and Hendry
Fort Lauderdale (January 1-April 30)	Broward
Fort Meyers (February 1-March 31)	Lee
Fort Walton Beach/De Funiak Springs (June 1-July 31)	Okaloosa and Walton
Key West	Monroe
Miami (December 1-March 31)	Miami-Dade
Naples (February 1-April 30)	Collier
Vero Beach (December 1-April 30)	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 (June 1-August 31)	Hershey
Philadelphia (October 1-November 30 and April 1-September 30)	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
Texas	
Pecos (January 1-March 31)	Reeves
Utah	
Moab (October 1-October 31 and March 1-September 30)	Grand
Park City (December 1-March 31)	Summit
Virginia	
Virginia Beach (June 1-August 31)	City of Virginia Beach
Wallops Island (July 1-August 31)	Accomack
Washington, DC Metro Area	Cities of Alexandria, Fairfax, and Falls Church; Counties of Arlington and Fairfax
Washington	
Seattle	King
Vancouver (October 1-October 31 and April 1-September 30)	Clark, Cowlitz, and Skamania
Wyoming	
Cody (June 1-September 30)	Park

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).