



What is Per Diem?

Per Diem is a daily allowance for lodging (excluding taxes), meals and incidental expenses for business-related travel away from home. This allowance is in lieu of paying actual travel expenses.

Who is entitled to earn a Per Diem?

Per Diem may be paid to any employee who is working away from home. Per Diem is not confined to contractors alone.

How is Per Diem Calculated?

Per Diem should be paid on a daily basis, seven days a week, and may be calculated for each day away from home on business, not just days worked.

Per Diem should be a flat daily rate, which should NOT be tied to an individual's salary or number of hours worked.

How do I obtain information about Per Diem Rates?

The [IRS publication 1542](#) is for employers who pay a per diem allowance to employees for business travel away from home within the continental United States. This publication will provide the maximum per diem rate which can be used without treating part of the per diem allowance as wages for tax purposes.

Each year the IRS will establish a maximum allowable per diem amount based upon location. Many employers utilize the per diem rate guide published by the [General Services Administration \(GSA\)](#) to calculate maximum per diem rates. The GSA establishes per diem rates for destinations within the Continental United States (CONUS).

Do I have to pay the maximum per diem amount?

Employers are not required to pay the maximum per diem amount and may set their own per diem rates below the maximum. If the employee is paid more than the maximum, the excess will be taxable to the employee.

Do GSA Per Diem Rates Change?

New per diem rates become effective on **October 1 of each year** and remain in effect through September 30 of the following year.

Employees being reimbursed under the per diem rate method during the first 9 months of a year (January 1-September 30) must continue under the same method through the end of that calendar year (December 31). However, for travel by these employees from October 1 through December 31, you can choose to continue using the same per diem rates or use the new rates. Your choice applies to all employees reimbursed under the per diem rate method during that calendar year. You must continue using the same method for an employee for the entire calendar year.

What if a city is not listed on the GSA?

Cities which do not appear on the GSA site may be located within a county for which rates are listed. Visit the [National Association of Counties \(NACO\)](#) to determine what county a city may be located in. If the city is not indicated, but the county is, then use this rate. If both the city and the county are not listed, then that area is considered to be a Standard CONUS location rate.

What do the GSA Per Diem Categories mean?

The Maximum Per Diem Rate is the highest amount that the federal government will pay to its employees for lodging, meals, and incidental expenses while they are traveling away from home in a particular area.

The Standard Meal Allowance is the federal rate for meals and incidental expenses (M&IE). An individual will receive a per diem for meals and incidental expenses **only** when the employer does one of the following:

1. Provides the individual with lodging,

2. Reimburses the individual for the actual cost of the lodging, based upon receipts,
3. Pays for the lodging directly,
4. Does not have reasonable belief that the individual had lodging expenses.

The Meal Reimbursement Rate First and Last Day applies to Federal employees who are only eligible for 75 percent of the total M&IE rate for the location to which they are traveling on the first and last day of travel.

What is considered an incidental expense?

Incidental Expenses are defined as:

- a. Fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards and others on ships or hotel servants in foreign countries.
- b. Transportation between places of lodging or business and places where meals are taken
- c. Mailing costs associated with filing travel vouchers

How far must the employee travel to work to receive per diem?

A general guideline is that the employee must,

- travel more than 50 miles from home;
- be away on travel for more than 12 hours; and
- have incurred travel expenses while performing business-related activities.

Can per diem payments last indefinitely?

It is not recommended that an employee receive per diem for an arrangement which exceeds one year in length. After one year this arrangement is no longer considered "temporary" and any per diem compensation may be considered taxable.

Do I need to obtain a contract with my employee if I am paying a Per Diem Rate?

It is recommended that employers obtain agreements with all employees and contractors concerning any type of compensation arrangement. Remember that Per Diem amounts should not be tied to the individual's salary or number of hours worked.

Do employees need to maintain records of their business travel expenses?

If the per diem arrangement is based upon reasonable expected expenses and the per diem is paid at the maximum allowable amount or less than the maximum, then receipts are not required.

If the per diem arrangement is based upon direct reimbursement of travel expenses, then the employee is required to substantiate each business expense to their employer. Amounts paid in excess of the expenses must be returned to the employer.

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