

## Per Diem

Anytime an employee incurs lodging and meal expenses while out-of-town for work, the employee can be reimbursed for these expenses tax free.

One way this occurs is through an accountable plan. Under this type of plan employees must submit receipts or other support before they are reimbursed. This process can be time consuming and labor intensive. There can also be disputes surrounding what qualifies as support.

A simpler alternative is to use per diems approved by the IRS. Using this method, per diems are generally not taxable to the employee and are deductible by the employer, although the meals expense is subject to the 50% deduction limit. The employee is not required to provide support of the expense, the burden is only on the employer to substantiate the place and business purpose of the travel.

The high-low method is a simplified per diem method of computing the federal per diem rate for travel within the continental United States and eliminates the need to keep a current list of per diem rates for each city. It has two sets of rates – one for lodging and meals in high-cost areas, and one for all other areas. This method may be used when lodging and meals are incurred or when only meal expenses are incurred if the employer already provides lodging.

An employer may use the high-low method for some employees and federal travel per diem for other employees, but the same method must be used by each employee for the full calendar year.

The high-low rates and high-cost localities are revised on October 1 of each year. Some localities are considered high-cost for the full year, while others are only considered high-cost for a portion of the year. Taxpayers using the high-low method during January-September can use the same rates for the remainder of the year, or they can switch to the new rates starting October 1.

High-Low Per Diem Rates:

### Effective 10/1/18-9/30/19

	Lodging	Meals	Total
High-cost	216	71	287
All other	135	60	195

### Effective 10/1/17-9/30/18

	Lodging	Meals	Total
High-cost	216	68	284
All other	134	57	191

See [IRS Notice 2018-77](#) for a list of the high-cost localities for the period October 2018-September 2019.

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