

Just What Are Per Diem Payments

To some veteran travelers, this may be a juvenile question but it is a source of confusion among new entrants to the world of a mobile professional where one can find all sorts of opinions to pick from. The following is a brief overview of the rules governing Per Diems.

Per Diems are Reimbursements

Per Diems are simply reimbursements for lodging, meals and incidentals. In a perfect world, an employee would incur a reimbursable expense, obtain a receipt, give the receipt to Personnel and get a check in return. Unfortunately, this creates a lot of paperwork – hence the idea of a *per diem reimbursement*. By standardizing the amounts for meals and lodging in each area of the world, receipts are no longer necessary. By using this alternative receipt table, the company can simply pay this amount to their employees without an exchange of receipts so long as they have exercised due diligence in assuring that the employee was away from their tax home and had not been in the same area for more than 12 months. The IRS allows this method of reimbursement in lieu of receipts even though the expense may be less than the published daily rates. The excess is not reported or taxed since the amount spent is considered to be the amount of the published per diem .

Per Diem Tables are not the Minimum Reimbursement

Per Diem tables are often thought of as the required amounts that an employer must pay for away from home lodging and meals. Such is not the case. Per Diems are simply the maximum that an employer can give to an employee without an exchange of receipts. In fact, an employer can give nothing at all. Another aspect of per diems is the “all or nothing” treatment. Unless the employer pays directly for lodging or reimburses for actual lodging expenses, they cannot arbitrarily make the payment a housing only amount. If that is the case, the payment is considered to be 60% for lodging and 40% for meals. The 40% meal allocation should also show up as the reimbursement amount on the employee’s income tax return.

Meal Per Diem Nuances

For every day that a mobile worker is away from home overnight on business, they can claim the per diem meal allowance as published in the tables (IRS Publication 1542). If the company reimburses for meals at a lesser amount, the employee can deduct the difference.

Lodging Per Diem Nuances

Only the employer can use the lodging amount in the per diem tables. The employee, independent contractor and > 2% shareholder of one's company cannot use the lodging tables – they can only use actual lodging costs as their deduction. This is important because many mobile workers attempt to use the lodging per diems as a deduction on their tax returns. It is the source of many audits

There is a lot to say about more to per diems, but these basic rules can clear a lot of confusion. Having this information available can help you as you negotiate your next contract.

Reference Revenue Procedure 2009-47
IRS Publication 463 and 1542

Joseph SMITH EA
Enrolled Agent, Admitted to Practice before the IRS
TravelTax LLC
www.traveltax.com , info@traveltax.com