SECTION 1. PURPOSE

This annual notice provides the 2012-2013 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


Section 3.02(3) of Rev. Proc. 2011-47 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. On September
7, 2011, the General Services Administration published interim (temporary) 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 per diem rates may separately deduct 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 $59 for any locality of travel in the continental United States (CONUS) and $65 for any locality of travel outside the continental United States (OCONUS). See section 4.04 of Rev. Proc. 2011-47.

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.

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 section 4.01 of Rev. Proc. 2011-47 (the per diem substantiation method) are $242 for travel to any high-cost locality and $163 for travel to any other locality within CONUS. The amount of the $242 high rate and $163 low rate that is treated as paid for meals for purposes of § 274(n) is $65 for travel to any high-cost locality and $52 for travel to any other locality within CONUS. See
section 5.02 of Rev. Proc. 2011-47. The per diem rates in lieu of the rates described in section 4.02 of Rev. Proc. 2011-47 (the meal and incidental expenses only substantiation method) are $65 for travel to any high-cost locality and $52 for travel to any other locality within CONUS.

2. **High-cost localities.** The following localities have a federal per diem rate of $202 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>
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<tbody>
<tr>
<td>Arizona</td>
<td></td>
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<tr>
<td>Sedona</td>
<td>City limits of Sedona</td>
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<tr>
<td>(March 1-April 30)</td>
<td></td>
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<tr>
<td>California</td>
<td></td>
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<tr>
<td>Monterey</td>
<td>Monterey</td>
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<tr>
<td>Napa</td>
<td>Napa</td>
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<tr>
<td>(October 1-November 30 and April 1-September 30)</td>
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<tr>
<td>San Diego</td>
<td>San Diego</td>
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<tr>
<td>San Francisco</td>
<td>San Francisco</td>
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<tr>
<td>Santa Barbara</td>
<td>Santa Barbara</td>
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<tr>
<td>Santa Monica</td>
<td>City limits of Santa Monica</td>
</tr>
<tr>
<td>Yosemite National Park</td>
<td>Mariposa</td>
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<tr>
<td>(June 1-August 31)</td>
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<tr>
<td>Colorado</td>
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<tr>
<td>Aspen</td>
<td>Pitkin</td>
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<tr>
<td>(December 1-March 31 and June 1–August 31)</td>
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<tr>
<td>Denver/Aurora</td>
<td>Denver, Adams, Arapahoe, and Jefferson</td>
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<td></td>
<td>Routtt</td>
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<tr>
<td>Steamboat Springs</td>
<td></td>
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<tr>
<td>(December 1-March 31)</td>
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<tr>
<td>Telluride</td>
<td>San Miguel</td>
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<tr>
<td>(December 1-March 31)</td>
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<tr>
<td>Vail</td>
<td>Eagle</td>
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<tr>
<td>(December 1-August 31)</td>
<td></td>
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<tr>
<td>District of Columbia</td>
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<tr>
<td>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)</td>
<td></td>
</tr>
</tbody>
</table>
Florida
Fort Lauderdale Broward (January 1-May 31)
Fort Walton Beach/De Funiak Springs Okaloosa and Walton (June 1-July 31)
Key West Monroe
Miami Miami-Dade (December 1-March 31)
Naples Collier (January 1-April 30)

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

Louisiana
New Orleans Orleans, St. Bernard, Jefferson and Plaquemine Parishes (October 1-June 30)

Maine
Bar Harbor Hancock (July 1-August 31)

Maryland
Baltimore City Baltimore City (October 1-November 30 and March 1-September 30)
Cambridge/St. Michaels Dorchester and Talbot (June 1-August 31)
Ocean City Worcester (June 1-August 31)
Washington, DC Metro Area Montgomery and Prince George’s

Massachusetts
Boston/Cambridge Suffolk, City of Cambridge City limits of Falmouth (July 1-August 31)
Falmouth
Martha’s Vineyard Dukes (July 1-August 31)
Nantucket Nantucket (June 1-September 30)

New Hampshire
Conway Carroll (July 1-August 31)
New York
Floral Park/Garden City/Great Neck  Nassau
Glens Falls  Warren
(July 1-August 31)
Lake Placid  Essex
(July 1-August 31)
Manhattan (includes the boroughs of Bronx, Kings, New York, Queens, Richmond
Manhattan, Brooklyn, the Bronx, Queens and Staten Island)
Saratoga Springs/Schenectady  Saratoga and Schenectady
(July 1-August 31)
Tarrytown/White Plains/New Rochelle  Westchester

North Carolina
Kill Devil  Dare
(June 1-August 31)

Pennsylvania
Philadelphia  Philadelphia

Rhode Island
Jamestown/Middletown/Newport  Newport
(October 1-October 31 and May 1-September 30)

Utah
Park City  Summit
(January 1-March 31)

Virginia
Washington, DC Metro Area  Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax
Virginia Beach  City of Virginia Beach
(June 1-August 31)

Washington
Seattle  King

Wyoming
Jackson/Pinedale  Teton and Sublette
(July 1-August 31)

3. Changes in high-cost localities. There are no changes in the list of high-cost localities in this notice from the list of high-cost localities in section 5 of Notice 2011-81.
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, 2012, for travel away from home on or after October 1, 2012. 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, 2012. See sections 4.06 and 5.04 of Rev. Proc. 2011-47 for transition rules for the last 3 months of calendar year 2012.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2011-81 is superseded.

DRAFTING INFORMATION

The principal author of this notice is Eric D. Brauer of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice contact Mr. Brauer at (202) 622-4970 (not a toll-free call).