

2015-2016 Special Per Diem Rates

Notice 2015-63

SECTION 1. PURPOSE

This annual notice provides the 2015-2016 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, 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. Notice 2014-57, 2014-42 I.R.B. 723, provides the rates and list of high-cost localities for the period October 1, 2014, to September 30, 2015.

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. 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 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 \$63 for any locality of travel in the continental United States (CONUS) and \$68 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 Notice 2014-57 (the per diem substantiation method) are \$275 for travel to any high-cost locality and \$185 for travel to any other locality within CONUS. The amount of the \$275 high rate and \$185 low rate that is treated as paid for meals for purposes of § 274(n) is \$68 for travel to any high-cost locality and \$57 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 Notice 2014-57 (the meal and incidental expenses only substantiation method) are \$68 for travel to any high-cost locality and \$57 for travel to any other locality within CONUS.

2. High-cost localities. The following localities have a federal per diem rate of \$230 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>
California	
Mammoth Lakes (December 1-February 29)	Mono
Monterey (July 1-August 31)	Monterey
Napa (October 1-October 31 and May 1-September 30)	Napa
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 (December 1-March 31 and June 1-August 31)	Pitkin
Denver/Aurora	Denver, Adams, Arapahoe, and Jefferson
Grand Lake (December 1-March 31)	Grand
Silverthorne/Breckenridge (December 1-March 31)	Summit
Steamboat Springs (December 1-March 31)	Routt
Telluride (December 1-March 31 and June 1-August 31)	San Miguel
Vail (December 1-March 31 and July 1-August 31)	Eagle
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 (January 1-April 30)	Palm Beach and Hendry
Fort Lauderdale (January 1-March 31)	Broward
Fort Walton Beach/De Funiak Springs (June 1-July 31)	Okaloosa and Walton
Key West	Monroe
Miami (December 1-March 31)	Miami-Dade
Naples (January 1-April 30)	Collier

Illinois

Chicago (October 1-November 30 and March 1-September 30)	Cook and Lake
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Maine

Bar Harbor (July 1-August 31)	Hancock
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Maryland

Ocean City (June 1-August 31)	Worcester
Washington, DC Metro Area	Montgomery and Prince George's

Massachusetts

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

Michigan

Traverse City/Leland (July 1-August 31)	Grand Traverse/Leelanau
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New York

Lake Placid (July 1-August 31)	Essex
New York City	Bronx, Kings, New York, Queens,

Saratoga Springs/Schenectady (July 1-August 31)	and Richmond Saratoga and Schenectady
Pennsylvania Hershey (June 1-August 31) Philadelphia (October 1-November 30, March 1-June 30, and September 1-September 30)	Hershey Philadelphia
Rhode Island Jamestown/Middletown/Newport (June 1-August 31)	Newport
South Carolina Charleston (October 1-November 30 and March 1-September 30)	Charleston, Berkeley and Dorchester
Texas Midland	Midland
Utah Park City (December 1-March 31)	Summit
Virginia Virginia Beach (June 1-August 31) Wallops Island (July 1-August 31) Washington, DC Metro Area	City of Virginia Beach Accomack Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax
Washington Seattle	King
Wyoming Jackson/Pinedale (June 1-September 30)	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 2014-57.

- a. The following localities have been added to the list of high-cost localities:
Mammoth Lakes, California; Grand Lake, Colorado; Silverthorne/Breckenridge, Colorado; Traverse City/Leland, Michigan; Hershey, Pennsylvania; Wallops Island, Virginia.
- b. The following localities have changed the portion of the year in which they are high-cost localities: Napa, California; Telluride, Colorado; Miami, Florida; Martha's Vineyard, Massachusetts; Nantucket, Massachusetts; Jamestown/Middletown/Newport, Rhode Island; Charleston, South Carolina; Jackson/Pinedale, Wyoming.
- c. The following localities have been removed from the list of high-cost localities:
Sedona, Arizona; Santa Cruz, California; New Orleans, Louisiana; Baltimore City, Maryland; Cambridge/St. Michaels, Maryland; Glendive/Sidney, Montana; Conway, New Hampshire; Glens Falls, New York; Tarrytown/White Plains/New Rochelle, New York; Kill Devil, North Carolina; Williston, North Carolina.

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, 2015, for travel away from home on or after October 1, 2015. 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, 2015. See sections 4.06 and 5.04 of Rev. Proc. 2011-47 for transition rules for the last 3 months of calendar year 2015.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2014-57 is superseded.

DRAFTING INFORMATION

The principal author of this notice is Kari Fisher of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice contact Kari Fisher at (202) 317-7007 (not a toll-free call).