

2016-2017 Special Per Diem Rates

Notice 2016-58

SECTION 1. PURPOSE

This annual notice provides the 2016-2017 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 2015-63, 2015-42 I.R.B. 723, provides the rates and list of high-cost localities for the period October 1, 2015, to September 30, 2016.

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 2015-63 (the per diem substantiation method) are \$282 for travel to any high-cost locality and \$189 for travel to any other locality within CONUS. The amount of the \$282 high rate and \$189 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 2015-63 (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 \$236 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>
Arizona Sedona (March 1-April 30)	City Limits of Sedona
California Los Angeles (January 1-March 31)	Los Angeles, Orange, Ventura, Edwards AFB less the city of Santa Monica
Mill Valley/San Rafael/Novato (October 1-October 31 and June 1-September 30)	Marin
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 (October 1-November 30 and February 1-September 30)	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-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-April 30)

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
(December 1-April 30)

Collier

Vero Beach
(December 1-April 30)

Indian River

Illinois

Chicago
(October 1-November 30 and
April 1-September 30)

Cook and Lake

Maine

Bar Harbor
(July 1-August 31)

Hancock

Maryland

Ocean City
(June 1-August 31)

Worcester

Washington, DC Metro Area

Montgomery and Prince George's

Massachusetts

Boston/Cambridge
Falmouth
(July 1-August 31)

Suffolk, city of Cambridge
City limits of Falmouth

Martha's Vineyard
(June 1-September 30)

Dukes

Nantucket

Nantucket

(October 1-December 31 and
June 1-September 30)

Michigan Traverse City/Leland (July 1-August 31)	Grand Traverse and Leelanau
New York Lake Placid (July 1-August 31) New York City	Essex Bronx, Kings, New York, Queens, and Richmond
Saratoga Springs/Schenectady (July 1-August 31)	Saratoga and Schenectady
North Carolina Kill Devil (June 1-August 31)	Dare
Oregon Seaside (July 1-August 31)	Clatsop
Pennsylvania Hershey (June 1-August 31) Philadelphia (October 1-November 30, April 1-June 30, and September 1-September 30)	Hershey Philadelphia
Rhode Island Jamestown/Middletown/Newport (July 1-August 31)	Newport
South Carolina Charleston (October 1-November 30 and March 1-September 30)	Charleston, Berkeley and Dorchester
Utah Park City (December 1-March 31)	Summit
Virginia Virginia Beach (June 1-August 31)	City of Virginia Beach

Wallops Island
(July 1-August 31)
Washington, DC Metro Area

Accomack

Cities of Alexandria, Fairfax, and
Falls Church; counties of
Arlington and Fairfax

Washington
Seattle

King

Wyoming
Jackson/Pinedale
(July 1-August 31)

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 2015-63.

a. The following localities have been added to the list of high-cost localities:

Sedona, AZ; Los Angeles, California; Mill Valley/San Rafael/Novato, California;
Vero Beach, Florida; Kill Devil, North Carolina; Seaside, Oregon.

b. The following localities have changed the portion of the year in which they are high-cost localities: Denver/Aurora, Colorado; Vail, Colorado; Fort Lauderdale, Florida; Naples, Florida; Chicago, Illinois; Philadelphia, Pennsylvania; Jamestown/Middletown/Newport, Rhode Island; Jackson/Pinedale, Wyoming.

c. The following localities have been removed from the list of high-cost localities: Mammoth Lakes, California; Midland, Texas.

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, 2016, for travel away from home on or after October 1, 2016. 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, 2016. See sections 4.06 and 5.04 of Rev. Proc. 2011-47 for transition rules for the last 3 months of calendar year 2016.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2015-63 is superseded.

DRAFTING INFORMATION

The principal author of this notice is Elizabeth Binder of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice contact Elizabeth Binder at (202) 317-7005 (not a toll-free call).