

2017-2018 Special Per Diem Rates

Notice 2017-54

SECTION 1. PURPOSE

This annual notice provides the 2017-2018 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 2016-58, 2016-41 I.R.B. 438, provides the rates and list of high-cost localities for the period October 1, 2016, to September 30, 2017.

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 2016-58 (the per diem

substantiation method) are \$284 for travel to any high-cost locality and \$191 for travel to any other locality within CONUS. The amount of the \$284 high rate and \$191 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 2016-58 (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 \$238 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	
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
Oakland (October 1-October 31 and January 1-September 30)	Alameda
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	Pitkin
Denver/Aurora	Denver, Adams, Arapahoe, and Jefferson
Grand Lake (December 1-March 31)	Grand
Silverthorne/Breckenridge (December 1-March 31)	Summit
Steamboat Springs	Routt

(December 1-March 31) Telluride Vail (December 1-March 31 and July 1-August 31)	San Miguel Eagle
Delaware Lewes (July 1-August 31)	Sussex
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) Fort Lauderdale (January 1-April 30) Fort Meyers (February 1-March 31) Fort Walton Beach/De Funiak Springs (June 1-July 31) Key West Miami (December 1-March 31) Naples (December 1-April 30)	Palm Beach and Hendry Broward Lee Okaloosa and Walton Monroe Miami-Dade Collier
Illinois Chicago (October 1-November 30 and April 1-September 30)	Cook and Lake
Maine Bar Harbor (October 1-October 31 and July 1-September 30)	Hancock
Maryland Ocean City (July 1-August 31) Washington, DC Metro Area	Worcester Montgomery and Prince George's
Massachusetts Boston/Cambridge	Suffolk, city of Cambridge

Falmouth (July 1-August 31)	City limits of Falmouth
Hyannis (July 1-August 31)	Barnstable less the city of Falmouth
Martha's Vineyard (June 1-September 30)	Dukes
Nantucket (June 1-September 30)	Nantucket
Michigan	
Petoskey (July 1-August 31)	Emmet
Traverse City/Leland (July 1-August 31)	Grand Traverse and Leelanau
New York	
Lake Placid (July 1-August 31)	Essex
New York City	Bronx, Kings, New York, Queens, and Richmond
Saratoga Springs/Schenectady (July 1-August 31)	Saratoga and Schenectady
Oregon	
Portland (October 1-October 31 and March 1-September 30)	Multnomah
Seaside (July 1-August 31)	Clatsop
Pennsylvania	
Hershey (June 1-August 31)	Hershey
Philadelphia (October 1-November 30 and April 1-September 30)	Philadelphia
Rhode Island	
Jamestown/Middletown/Newport (October 1-October 31 and June 1-September 30)	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)	Accomack
Washington, DC Metro Area	Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax
Washington	
Seattle	King
Vancouver (October 1-October 31 and March 1-September 30)	Clark, Cowlitz, and Skamania
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 2016-58.

- a. The following localities have been added to the list of high-cost localities:
Oakland, California; Lewes, Delaware; Fort Myers, Florida; Hyannis, Massachusetts; Petoskey, Michigan; Portland, Oregon; Vancouver, Washington.
- b. The following localities have changed the portion of the year in which they are high-cost localities: Aspen, Colorado; Denver/Aurora, Colorado; Telluride, Colorado; Vail, Colorado; Bar Harbor, Maine; Ocean City, Maryland; Nantucket, Massachusetts; Philadelphia, Pennsylvania; Jamestown/Middletown/Newport, Rhode Island; Jackson/Pinedale, Wyoming.
- c. The following localities have been removed from the list of high-cost localities:
Sedona, Arizona; Los Angeles, California; Vero Beach, Florida; Kill Devil, 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, 2017, for travel away from home on or after October 1, 2017. 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, 2017. See sections 4.06 and 5.04 of Rev. Proc. 2011-47 for transition rules for the last 3 months of calendar year 2017.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2016-58 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 Ms. Binder at (202) 317-7005 (not a toll-free call).