2018-2019 Special Per Diem Rates

Notice 2018-77

SECTION 1. PURPOSE

This annual notice provides the 2018-2019 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 (or successor), 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 (or successor). Notice 2017-54, 2017-42 I.R.B. 321, provides the rates and list of high-cost localities for the period October 1, 2017, to September 30, 2018.
Section 3.02(3) of Rev. Proc. 2011-47 (or successor) 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, if permitted, 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 $66 for any locality of travel in the continental United States (CONUS) and $71 for any locality of travel outside the continental United States (OCONUS). See section 4.04 of Rev. Proc. 2011-47 (or successor).

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 (or successor).

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 2017-54 (the per diem substantiation method) are $287 for travel to any high-cost locality and $195 for travel to any other locality within CONUS. The amount of the $287 high rate and $195 low rate that is treated as paid for meals for purposes of § 274(n) is $71 for travel to any high-cost locality and $60 for travel to any other locality within CONUS. See section 5.02 of Rev. Proc. 2011-47 (or successor). The per diem rates in lieu of the rates described in Notice 2017-54 (the meal and incidental expenses only substantiation method) are $71 for travel to any high-cost locality and $60 for travel to any other locality within CONUS.

2. **High-cost localities.** The following localities have a federal per diem rate of $241 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>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td></td>
</tr>
<tr>
<td>Sedona</td>
<td>City Limits of Sedona</td>
</tr>
<tr>
<td>California</td>
<td></td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Los Angeles, Orange, Ventura, Edwards AFB less the city of Santa Monica</td>
</tr>
<tr>
<td>(October 1-October 31 and January 1-September 30)</td>
<td>Monterey</td>
</tr>
<tr>
<td>Monterey</td>
<td></td>
</tr>
<tr>
<td>(July 1-August 31)</td>
<td></td>
</tr>
<tr>
<td>Napa</td>
<td>Napa</td>
</tr>
<tr>
<td>(October 1-October 31 and May 1-September 30)</td>
<td></td>
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<tr>
<td>Oakland</td>
<td>Alameda</td>
</tr>
<tr>
<td>San Diego</td>
<td>San Diego</td>
</tr>
<tr>
<td>(January 1-July 31)</td>
<td></td>
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<tr>
<td>San Francisco</td>
<td>San Francisco</td>
</tr>
<tr>
<td>San Mateo/Foster City/Belmont</td>
<td>San Mateo</td>
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<tr>
<td>Santa Barbara</td>
<td>Santa Barbara</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>City limits of Santa Monica</td>
</tr>
<tr>
<td>Sunnyvale/Palo Alto/San Jose</td>
<td>Santa Clara</td>
</tr>
</tbody>
</table>
Colorado
   Aspen
   (October 1-March 31 and June 1-September 30)
   Denver/Aurora
   (October 1-March 31 and June 1-September 30)
   Grand Lake
   (December 1-March 31)
   Silverthorne/Breckenridge
   (December 1-March 31)
   Telluride
   (December 1-March 31 and July 1-August 31)
   Vail
   (December 1-March 31 and July 1-August 31)

Denver, Adams, Arapahoe, and Jefferson
Grand
Summit
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
   (December 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
   (December 1-March 31)
   Miami
   (December 1-March 31)
   Naples
   (February 1-April 30)
   Vero Beach
   (December 1-April 30)
   Jekyll Island/Brunswick
   (March 1-July 31)

Palm Beach and Hendry
Broward
Lee
Okaloosa and Walton
Monroe
Miami-Dade
Collier
Indian River
Glynn
Illinois
Chicago
(October 1-November 30 and
April 1-September 30)

Cook and Lake

Maine
Bar Harbor/Rockport
(July 1-August 31)

Hancock and Knox

Maryland
Ocean City
(July 1-August 31)
Washington, DC Metro Area

Worcester

Montgomery and Prince George’s

Massachusetts
Boston/Cambridge
(October 1-November 30 and
March 1-September 30)
Falmouth
(July 1-August 31)
Hyannis
(July 1-August 31)
Martha’s Vineyard
(June 1-September 30)
Nantucket
(June 1-September 30)

Suffolk, City of Cambridge
City limits of Falmouth
Barnstable less the city of
Falmouth
Dukes

Nantucket

Michigan
Traverse City
(July 1-August 31)

Grand Traverse

Minnesota
Duluth
(June 1-August 31)

St. Louis

New York
Lake Placid
(July 1-August 31)
New York City

Essex

Bronx, Kings, New York, Queens,
and Richmond

Oregon
Portland
(October 1-October 31 and
April 1-September 30)
Seaside
(July 1-August 31)

Multnomah

Clatsop
Pennsylvania
Hershey
(June 1-August 31)
Philadelphia
(October 1-November 30 and April 1-September 30)

Rhode Island
Jamestown/Middletown/Newport
(June 1-August 31)

South Carolina
Charleston
(October 1-October 31 and March 1-September 30)

Texas
Pecos
(January 1-March 31)

Utah
Moab
(October 1-October 31 and March 1-September 30)
Park City
(December 1-March 31)

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

Virginia Beach City of Virginia Beach
Accomack
Cities of Alexandria, Fairfax, and Falls Church; Counties of Arlington and Fairfax

Washington
Seattle
Vancouver
(October 1-October 31 and April 1-September 30)

Wyoming
Cody
(June 1-September 30)
Jackson/Pinedale          Teton and Sublette
(July 1-August 31)

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 2017-54.

   a. The following localities have been added to the list of high-cost localities:
      Sedona, Arizona; Los Angeles, California; San Diego, California; Vero Beach, Florida; Jekyll Island/Brunswick, Georgia; Duluth, Minnesota; Pecos, Texas; Moab, Utah; Cody, Wyoming.

   b. The following localities have changed the portion of the year in which they are high-cost localities: Oakland, California; Aspen, Colorado; Boca Raton/Delray Beach/Jupiter, Florida; Naples, Florida; Bar Harbor/Rockport, Maine; Boston/Cambridge, Massachusetts; Jamestown/Middletown/Newport, Rhode Island; Charleston, South Carolina; Vancouver, Washington; Jackson/Pinedale, Wyoming.

   c. The following localities have been removed from the list of high-cost localities:
      Mill Valley/San Rafael/ Novato, California; Steamboat Springs, Colorado; Petoskey, Michigan; Saratoga Springs/Schenectady, New York.

   d. The following localities have been redefined: Traverse City, Michigan no longer includes Leland; Bar Harbor, Maine now includes Rockport.

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, 2018, for travel away from home on or after October 1, 2018. 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, 2018. See sections 4.06 and 5.04 of Rev. Proc.
2011-47 (or successor) for transition rules for the last 3 months of calendar year 2018.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2017-54 is superseded.

DRAFTING INFORMATION

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