



PALO VERDE COLLEGE

WHERE KNOWLEDGE TAKES ROOT AND OPPORTUNITY GROWS

Accounting Advisory No. 2017-04

June 21, 2017

TO: Palo Verde College Employees

FROM: Dana Maxfield, Director
Palo Verde College Fiscal Services

SUBJECT: IRS Per Diem Taxation – Overnight Trips

As of October 2016, per diems are taxable on overnight trips. The information from the IRS states that per diems are considered wages unless a receipt accompanies the expense (referred to as “substantiated”). This is stated in the IRS Fringe Benefit Guide (2014):

As discussed in section 9, employers often reimburse employees for meals while traveling away from home overnight. These meals generally fall under the rules for travel expenses, discussed earlier. The taxability of these reimbursements or allowances depends on whether the meals are connected to the business travel and whether the expenses are substantiated. Reimbursements or allowances must meet the accountable plan rules in order to be excludable. In order for travel meal reimbursements to be excludable from wages, employees must be traveling away from their tax home on their employer’s business. As with other travel-related expenses, the general area of work, not the employees’ residence, determines the tax home

<https://www.irs.gov/pub/irs-pdf/p5137.pdf>

Beginning July 1, 2017, Palo Verde College will be implementing this change. We will be offering two choices for those traveling overnight and claiming meals.

Option 1: Receipt based reimbursement (up to the Per Diem limit - no tax)

Option 2: Per Diem (taxed)

When traveling, you will need decide how you would like to be compensated for your meals. Your selection will be consistent for all meal reimbursements for that travel (either choose receipts or per diem, not both and no combinations)

For more information, see additional documentation, located on the Fiscal Services website under Accounting Advisories and click on AA2017-04, or click [here](#) to go there directly. There will also be additional information in future trainings related to this topic.