

## News & Insights

### New Business Travel Per-Diem Rates

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<https://journalrecord.com/2021/09/08/gavel-to-gavel-new-business-travel-per-diem-rates/>

The Internal Revenue Service ("IRS") issued its annual update of special per-diem rates, in Notice 2021-52, that take effect from October 1, 2021 to September 30, 2022, for substantiating ordinary and necessary business expenses incurred while traveling away from home.

Specifically, Notice 2021-52 provides special per-diem rates for the transportation industry meal and incidental expenses rates; the rate for incidental-expenses-only deduction; and the rates and list of high-cost localities for purposes of the high-low substantiation method.

The updated rates are effective for per-diem allowances paid to any employee on or after October 1, 2021, for travel away from home on or after that date, and supersede the rates in Notice 2020-71, which provided the rates for October 1, 2020, through September 30, 2021.

#### High-Low Substantiation Method

For purposes of the high-low substantiation method, the per-diem rates in lieu of the rates in the earlier Notice 2020-71 are \$296 for travel to any high-cost locality and \$202 for travel to any other locality within the continental United States. The amount of the \$296 rate and the \$202 low rate that's treated as paid for meals is \$74 for travel to any high-cost locale and \$64 for travel to any other locality within the continental United States.

Notice 2021-52 also contains a list of the locations that are high-cost localities (localities with a federal per-diem rate of \$249 or more) for all or part of the year.

#### Incidental Expenses

Incidental expenses have included only fees and tips given to porters, baggage carriers, hotel staff, and staff on ships. The per-diem rate for the incidental-expenses-only deduction is \$5 per day for any locality of travel.

#### Transportation Industry

The special meals and incidental expenses rates for taxpayers in the transportation industry are \$69 for any locality of travel within the continental United States and \$74 for any locality of travel outside of the

continental United States.

The use of a per-diem substantiation method can greatly simplify the process of substantiating business travel expense amounts. If the amount of an allowance is deemed substantiated because it doesn't exceed the applicable limit, any unspent amounts don't have to be taxed or returned. If an employer pays per-diem allowances that exceed what's deemed substantiated, the employer must either treat the excess as taxable wages or require actual substantiation. When substantiation is required, any unsubstantiated portion of the allowance must be returned or treated as taxable wages.

## Attorneys

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- David T. Potts