IRS

**Internal Revenue Bulletin: 2012-42**

**October 15, 2012**

**Notice 2012-63**

***2012-2013 Special Per Diem Rates***

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## SECTION 1. PURPOSE

This annual notice provides the 2012-2013 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 2011-81, 2011-42 I.R.B. 513, provides the rates and list of high-cost localities for the period October 1, 2011, to September 30, 2012.

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. On September 7, 2011, the General Services Administration published interim (temporary) 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 *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 $59 for any locality of travel in the continental United States (CONUS) and $65 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 section 4.01 of Rev. Proc. 2011-47 (the *per diem* substantiation method) are $242 for travel to any high-cost locality and $163 for travel to any other locality within CONUS. The amount of the $242 high rate and $163 low rate that is treated as paid for meals for purposes of § 274(n) is $65 for travel to any high-cost locality and $52 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 section 4.02 of Rev. Proc. 2011-47 (the meal and incidental expenses only substantiation method) are $65 for travel to any high-cost locality and $52 for travel to any other locality within CONUS.

2. *High-cost localities.* The following localities have a federal *per diem* rate of $202 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.

| *Key City* | *County or other defined location* |
|---|---|
| Arizona | |
| Sedona | |
| (March 1-April 30) | City limits of Sedona |
| California | |
| Monterey | Monterey |
| Napa | Napa |
| (October 1-November 30 and April 1-September 30) | |
| San Diego | San Diego |
| San Francisco | San Francisco |
| Santa Barbara | Santa Barbara |
| Santa Monica | City limits of Santa Monica |
| Yosemite National Park | Mariposa |
| (June 1-August 31) | |
| Colorado | |
| Aspen | Pitkin |

| | |
|---|---|
| (December 1-March 31 and June 1-August 31) | |
| Denver/Aurora | Denver, Adams, Arapahoe, and Jefferson |
| Steamboat Springs | Routt |
| (December 1-March 31) | |
| Telluride | San Miguel |
| (December 1-March 31) | |
| Vail | Eagle |
| (December 1-August 31) | |
| **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** | |
| Fort Lauderdale | Broward |
| (January 1-May 31) | |
| Fort Walton Beach/De Funiak Springs | Okaloosa and Walton |
| (June 1-July 31) | |
| Key West | Monroe |
| Miami | Miami-Dade |
| (December 1-March 31) | |
| Naples | Collier |
| (January 1-April 30) | |
| **Illinois** | |
| Chicago | Cook and Lake |
| (October 1-November 30 and April 1-September 30) | |
| **Louisiana** | |
| New Orleans | Orleans, St. Bernard, Jefferson and Plaquemine Parishes |
| (October 1-June 30) | |
| **Maine** | |
| Bar Harbor | Hancock |
| (July 1-August 31) | |
| **Maryland** | |
| Baltimore City | Baltimore City |
| (October 1-November 30 and March 1-September 30) | |
| Cambridge/St. Michaels | Dorchester and Talbot |
| (June 1-August 31) | |
| Ocean City | Worcester |
| (June 1-August 31) | |
| Washington, DC Metro Area | Montgomery and Prince George's |
| **Massachusetts** | |
| Boston/Cambridge | Suffolk, City of Cambridge |
| Falmouth | City limits of Falmouth |
| (July 1-August 31) | |
| Martha's Vineyard | Dukes |
| (July 1-August 31) | |
| Nantucket | Nantucket |
| (June 1-September 30) | |
| **New Hampshire** | |
| Conway | Carroll |
| (July 1-August 31) | |
| **New York** | |
| Floral Park/Garden City/Great Neck | Nassau |
| Glens Falls | Warren |
| (July 1-August 31) | |
| Lake Placid | Essex |
| (July 1-August 31) | |
| Manhattan (includes the boroughs of Manhattan, Brooklyn, the Bronx, Queens and Staten Island) | Bronx, Kings, New York, Queens, Richmond |
| Saratoga Springs/Schenectady | Saratoga and Schenectady |
| (July 1-August 31) | |
| Tarrytown/White Plains/New Rochelle | Westchester |
| **North Carolina** | |
| Kill Devil | Dare |
| (June 1-August 31) | |
| **Pennsylvania** | |
| Philadelphia | Philadelphia |
| **Rhode Island** | |
| Jamestown/Middletown/Newport | Newport |
| (October 1-October 31 and May 1-September 30) | |

| | |
|---|---|
| Utah | |
| Park City (January 1-March 31) | Summit |
| Virginia | |
| Washington, DC Metro Area | Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax |
| Virginia Beach (June 1-August 31) | City of Virginia Beach |
| Washington | |
| Seattle | King |
| Wyoming | |
| Jackson/Pinedale (July 1-August 31) | Teton and Sublette |

3. *Changes in high-cost localities.* There are no changes in the list of high-cost localities in this notice from the list of high-cost localities in section 5 of Notice 2011-81.

**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, 2012, for travel away from home on or after October 1, 2012. 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, 2012. See sections 4.06 and 5.04 of Rev. Proc. 2011-47 for transition rules for the last 3 months of calendar year 2012.

**SECTION 7. EFFECT ON OTHER DOCUMENTS**

Notice 2011-81 is superseded.

**DRAFTING INFORMATION**

The principal author of this notice is Eric D. Brauer of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice, contact Mr. Brauer at (202) 622-4970 (not a toll-free call).

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