



TaxNewsFlash

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Notice 2018-77: Per diem rates, substantiation of employee lodging, meals, incidentals (2018-2019)

The IRS today released an advance copy of Notice 2018-77—an annual notice providing 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.

[Notice 2018-77](#) [PDF 30 KB] provides:

- The special transportation industry meal and incidental expenses rates—\$66 for any locality of travel in the continental United States, and \$71 for any locality of travel outside the continental United States
- The rate for the incidental expenses-only deduction—\$5 per day
- The rates and list of high-cost localities for purposes of the high-low substantiation method

Background

The IRS issues an annual update of the rules for determining when the amounts of ordinary and necessary business expenses of an employee for lodging, meal, and incidental expenses incurred while traveling away from home are deemed substantiated under Reg. section 1.274-5, and when a per diem allowance under a reimbursement or other expense allowance arrangement is provided.

Effective date

Notice 2018-77 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, Notice 2018-77 is effective for meal and incidental expenses or for incidental expenses only paid or incurred on or after October 1, 2018.

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