

Optional *Per Diem* Rates for Employees, Self-employed Individuals, and Other Taxpayers Used in Computing Deductible Costs

Notice 2000-48

This notice informs taxpayers that the U.S. General Services Administration will change the *per diem* rates for travel by federal employees as of October 1, 2000. These rates (“GSA rates”) are incorporated by reference in Rev. Proc. 2000-9, 2000-2 I.R.B. 280, which allows their use in substantiating the amount of certain travel expenses, and are set forth in full in Publication 1542. However, as provided below, taxpayers may either use the new GSA rates or choose to continue to treat the current GSA rates as the federal *per diem* rates for travel expenses paid or incurred through the end of calendar year 2000. Also, comments are requested concerning application of the October 1 annual GSA rate changes in future years.

GSA *PER DIEM* RATES

Rev. Proc. 2000-9 generally provides that, for travel within the continental United States (“CONUS”), the federal meal and incidental expense (“M&IE”) rates and the federal *per diem* rates published by GSA may be used to substantiate certain travel expenses. GSA has recently announced its intention to update these rates annually effective October 1, rather than January 1, to match the federal government’s fiscal year. The GSA rates will be available on the GSA website at www.policyworks.gov/perdiem. Accordingly, for purposes of Rev. Proc. 2000-9, the updated GSA rates will apply as of October 1, 2000, to determine the amount of the CONUS travel expenses paid or incurred on or after that date, unless a taxpayer uses the transition rule described below. Consequently, the April 2000 revision of Pub. 1542, *Per Diem Rates (For Travel Within the Continental United States)*, which reprints the GSA rates made effective January 1, 2000, will not be effective for travel on or after October 1, 2000, unless the election described below is in effect.

TRANSITION RULE

To ease the transition to the GSA rates that will be updated as described above, the Internal Revenue Service will allow taxpayers, in applying Rev. Proc. 2000-9, to use the GSA rates in effect for the first 9 months of 2000 (“current rates”) for expenses of CONUS travel while away from home that are paid or incurred before January 1, 2001, in lieu of the updated GSA rates. A taxpayer must consistently use either the current GSA rates or the updated

GSA rates for the period of October 1, 2000, through December 31, 2000. During this period, a taxpayer may not use the current GSA rates for some travel and the updated GSA rates for other travel.

SPECIAL RATES PROVIDED IN REV. PROC. 2000-9

Rev. Proc. 2000-9 provides two optional methods that may be used in lieu of the use of the GSA rates to substantiate the amount of certain travel expenses. Section 5 provides a simplified High-Low Substantiation Method for employers to substantiate the amount of employees’ lodging, meal, and incidental expenses, and section 4.04 provides special M&IE rates for the transportation industry as an alternative to the M&IE rates published by GSA. Rev. Proc. 2000-9 provides that the use of these optional substantiation methods must be consistent throughout the 2000 calendar year. When the rates for these optional methods (“special rates”) are updated in the next *per diem* revenue procedure (expected to be published in September 2000), the Service will permit taxpayers using the optional methods for travel in calendar year 2000 to use either the updated special rates, or the current special rates, for the last 3 months of the 2000 calendar year. However, such taxpayers may not use the GSA rates instead of the special rates for that period.

REQUEST FOR COMMENTS

The Treasury Department and the Service invite comments on this notice and on future *per diem* revenue procedures. In particular, comments are requested on whether, in future years, the High-Low

Substantiation Method and the special transportation industry rates should be updated to match the October 1 effective date of the GSA rates or should continue to apply on a calendar-year basis. Also, comments are requested on whether, in future years, the revenue procedure should continue to make the substantiation rules effective as the rates are announced by GSA or should maintain consistent rates on a calendar-year basis by disregarding GSA's annual update (for employers other than federal employers) until the beginning of the next calendar year. Written comments should be submitted by October 27, 2000. An original and eight copies of written comments should be sent to:

Internal Revenue Service
Attn: CC:MSP:R (Notice 2000-48)
Room 5228 (IT&A:Br2)
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044.

or hand delivered between the hours of 8 a.m. and 5 p.m. to:

Courier's Desk
Internal Revenue Service
Attn: CC:MSP:R (Notice 2000-48)
Room 5228 (IT&A:Br2)
1111 Constitution Avenue, NW
Washington, D.C.

Alternatively, comments may be submitted electronically at the following address:

Joel.S.Rutstein@m1.irs.counsel.treas.gov.

DRAFTING INFORMATION

The principal author of this notice is Edwin B. Cleverdon of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this notice contact Mr. Cleverdon at (202) 622-4920 (not a toll-free call).