

CLIENT REPORT:

Employee Expense Rules and Substantiation Requirements

Dear Client:

As you know, business meals, lodging, and incidental expenses incurred while traveling away from home are deductible if properly substantiated. Although taxpayers have the option of keeping the actual records of travel expenses, IRS-provided per diem allowances can be used instead to substantiate the business travel expenses.

Within the continental United States, different per diem rates have been established for the many different localities to which an employee may travel. These simplified per diem rates that employers can use to reimburse employees for expenses incurred during business travel away from home have recently been updated, and are effective for travel on or after October 1, 2008. For travel within the continental United States (CONUS), the taxpayer has the option of using the 2007/2008 fiscal year per diem rates, or the October 1 -- December 31, 2008 rates, as long as they are consistently applied.

An alternative per diem method called the "high-low" substantiation method has been provided to simplify the employer's administrative burden. Under the "high-low" method, a uniform per diem rate has been established for localities that are classified as high-cost, and another rate for all other localities within the continental US, which are classified as low-cost. For transportation industry employees, business travel expenses may be computed periodically rather than daily, and special M and IE rates apply.

Transition rules have been provided for taxpayers who want to switch their method of substantiation.

Because you travel on business or employ business travelers, these updated rules will have an effect on your business travel expense and reimbursement procedures. We would be happy to answer any questions and discuss your options in greater detail. Please call our office at your earliest convenience to arrange an appointment.

Sincerely yours,

TICE ASSOCIATES, P.C.

1709 W. Market St.

York, PA 17404

Phone: 717-843-9572

Fax: 717-845-1590

Web: www.ticeassociates.com