



USFRCS MEMORANDUM NO. 72

TO: Arizona Charter School Administrators

FROM: Magdalene D. Haggerty, Office of the Auditor General
Vicki G. Salazar, Arizona Department of Education

DATE: January 28, 2008

SUBJECT: Travel Reimbursement Rates (Supersedes USFRCS Memorandum No. 68)

The Arizona Department of Administration (DOA) recently made several changes to the Travel Policy section of the Arizona Accounting Manual including adding when meal reimbursements are taxable and, effective **January 1, 2008**, increasing the travel distance threshold for lodging and meal reimbursements from 35 miles to 50 miles. The reimbursement rates effective **November 15, 2006**, for mileage, lodging, and meals and incidentals were not changed. A copy of the travel policy and reimbursement rates are available for download in Adobe Acrobat format (pdf) from DOA's Web site at www.gao.az.gov/travel.

Charter school governing boards should prescribe policies, procedures, and amounts for reimbursing mileage, lodging, and meals and incidental (meals) expenses incurred for school purposes. However, reimbursement amounts should not exceed the maximum amounts established by DOA. The reimbursement rates set by DOA generally follow the Internal Revenue Service (IRS) limits outlined in IRS Publication 1542. If the school chooses to reimburse lodging, meals, and mileage expenses in excess of the limits set by the IRS, the school will be required to include amounts in excess of the IRS limits in the employee's income on Form W-2. Schools may refer to USFRCS §VI-I for a brief discussion of travel reimbursement policies and procedures.

The IRS requires employees to be traveling "away from home" in order to exclude reimbursements for meals from their income. The phrase "away from home" means to require someone to travel overnight, or long enough to require substantial "sleep or rest" (further defined by IRS regulations). As a result, all meal reimbursements for travel with no overnight stay must be reported as a taxable employee benefit. For travel with an overnight stay, meal reimbursements for the day of and the day after the actual overnight stay should be excluded from income.

MILEAGE

The mileage reimbursement rate for privately owned motor vehicles is 44.5 cents per mile. The mileage reimbursement rate for privately owned aircraft is 99.5 cents per mile.

LODGING AND MEALS

To use the lodging and meal reimbursement rates table in DOA's Travel Policy, Section II-D, Supplement I, first locate the state to which the individual will travel. If the specific city is listed in Supplement I, use those lodging/meal rates. If the city is not listed, refer to the county in which the city is located and use the applicable rates. If the county is not listed use the default rates of \$60.00 for lodging and \$34.00 for meals.

Reimbursement rates for lodging and meals are based on the federal per diem rates for the locations listed. To be eligible for reimbursement, travelers must be in authorized travel status and be 50 or more miles away from their residence or duty post.

Lodging

The lodging rates are exclusive of taxes; therefore, schools may reimburse employees for actual expenses up to the maximum lodging reimbursement rates listed in Supplement I plus any applicable taxes. If two employees share lodging while traveling, the reimbursement amount per person may not exceed the allowable single-room rate plus tax. Lodging must be at a commercial establishment and travelers are required to request the lowest available rate. Travelers must submit the original itemized lodging receipt including the name, address, and telephone number of the establishment. If this information is not provided on the receipt, travelers must request that the establishment provide the required information on their letterhead.

Although the lodging reimbursement rate generally may not exceed the listed maximum, an exception may be made for conference lodging. DOA guidelines allow employees staying at a conference-designated hotel to be reimbursed at the conference-lodging rate. Conference-designated lodging includes lodging at the hotel at which the conference is being held or other hotels listed in the conference brochure. Accommodations at alternate hotels in the immediate vicinity of the conference may be considered as conference-designated lodging when no vacancies exist at the hotels listed in the conference brochure. However, reimbursement for lodging may not exceed the conference hotel's least expensive single-room rate plus tax. A copy of the conference brochure must be submitted with the travel claim to support the excess reimbursement.

Meals

Meal reimbursements include the actual amount spent for a meal, not to exceed the maximum meal reimbursement amounts. For partial-day travel, to determine the amount a traveler should be reimbursed for breakfast, lunch, and/or dinner refer to DOA's Travel Policy, Section II-D, pages 24 and 25.

A meal reimbursement cannot be claimed when substantial meals are provided at no expense to the traveler at a state institution, on an airplane, included in conference registration fees, or provided on a complimentary basis by the facility where the traveler is lodged. A substantial meal is one that contains a serving of protein in the form of meat, poultry, fish, seafood, or eggs.

To obtain the lodging and meal reimbursement rates for Alaska, Hawaii, and out-of-country locations, contact the General Accounting Office of DOA at (602) 542-1750, or download the rates at perdiem.hqda.pentagon.mil/perdiem/perdiemrates.html. If using this method, print a copy to include with the travel claim as support for the rate used. When necessary, the meal reimbursement

Arizona Charter School Administrators

January 28, 2008

Page 3

rate obtained from DOA should be allocated between meals, as described on page 24 of Supplement I.

If you have questions, please contact the Office of the Auditor General, Accounting Services Division at (602) 553-0333, or the Arizona Department of Education, School Finance Operations Unit at (602) 542-5695.

MDH/VGS/ms