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Balance *sheet*

Employee Travel

By Holly Ziebold

Employee travel can be expensive and a time-consuming headache for the employer. If the rules are followed, the cost of employee travel will be fully deductible to the employer, with the exception of meals, which are only 50% deductible. If the rules are not followed, the expenses are still deductible by the employer, but it will be added to the employee's taxable wages and fully subject to payroll withholdings, social security, unemployment, and workers' compensation.

An employer is able to deduct ordinary and necessary business expenses, including an employee's job-related travel and lodging expenses that are not lavish or extravagant. An advance or reimbursement made to an employee under an "accountable plan", which requires the employee to adequately account for the expenses with receipts and return any excess advances, is deductible by the employer and not subject to payroll taxes. A per diem system is a daily allowance to pay for lodging, meal and incidental expenses while traveling on business. The amount of the expenses reimbursed under a per diem allowance method will be deemed substantiated without receipts, provided the requirements of the regulations are met. The Regular Per Diem rate for Ohio effective October 1, 2016 through September 30, 2017 is \$142 (\$91 for lodging plus \$51 for M&IE). Lodging includes only the cost of the lodging itself. Room tax and energy surcharges are not considered part of the lodging cost. M&IE includes meals, tips and fees for food and luggage-handling services and are only eligible for 75% of the total M&IE rate on the first and last day of travel.

To deduct the cost of lodging and meals, the employee must be away from home overnight. Any trip that is of such a length as to require sleep or rest to enable the employee to continue working is considered "overnight".

The rules also clarify that the employee's costs of commuting to his or her place of business or employment are personal expenses and do not qualify as deductible expenses. An employee's home is generally where the employee normally lives and works for purposes of determining if he or she is away from home and can deduct lodging and meals.

Under an exception to the away-from-home rule, the cost of local lodging is deductible if the lodging is necessary for the individual to participate fully in or be available for a bona fide business meeting, conference, training activity, or other business function and the duration does not exceed five calendar days and does not recur more frequently than once per calendar quarter. The employer must require the employee to remain at the activity or function overnight, the lodging must not be lavish or extravagant, and there can be no significant element of personal pleasure, recreation, or benefit.

The rules for tax treatment of travel expenses can be complex and the documentation requirements time consuming. Making sure to have employee's track mileage and save receipts when traveling is a necessary part of the recordkeeping.

If you have any questions or need additional information or assistance, please contact us.



Items presented are not intended to be technically complete. Additional information may be required to make an informed decision.