

VIII. SUBSISTENCE EXPENSES

A. GENERAL

1. Definition

Subsistence expenses incurred while on travel status consist of charges for lodging and meals and incidental expenses (M&IE). For the definition of incidental expenses, see Section II., Definitions. Expenses reimbursed must be ordinary and necessary to accomplish the official business purpose of the trip. Subsistence expenses incurred within the vicinity of an employee's headquarters or residence shall not be reimbursed. To be eligible for reimbursement, actual expenses must be documented in accordance with Section XII.B.2, Documentation Requirements.

2. Entertainment Meals

Expenses for meals incurred by employees who entertain while on travel status are reimbursable in accordance with BFB [BUS-79](#), Entertainment.

B. TRAVEL IN EXCESS OF 24 HOURS

1. Domestic Travel - Travel Within the United States and Its Possessions

For purposes of determining the applicability of Sections a, b, and c below, an official University business trip begins when the traveler leaves his or her residence or headquarters, whichever occurs last, and ends when the traveler returns to his or her residence or headquarters, whichever occurs first.

a. Travel - Assignments of Less than 30 Days

CONUS Travel. For travel assignments of less than 30 days within the continental United States (CONUS), the reimbursement of daily subsistence expenses shall be based on the actual amounts incurred for lodging and meals and incidental expenses. ***The M&IE cap shall not be treated as a per diem.*** M&IE reimbursement shall be limited to the ***actual reasonable costs incurred***, subject to the daily maximum reimbursement cap set forth in Appendix B. Departments should remind their travelers that only expenses actually incurred are reimbursable. Travelers should be required to submit meal receipts if it appears that they are treating the cap as a per diem by routinely claiming the full M&IE amount. Lodging expenses must be supported by original itemized receipts, regardless of the amounts incurred, and must be reasonable for the locality of travel.

OCONUS Travel. Travel within Alaska, Hawaii and U. S. possessions (OCONUS) shall be reimbursed in accordance with the non-foreign locality per diem rates published by the Department of Defense (see Appendix B).

b. Long-Term Travel - Assignments of 30 Days or More

The long-term daily expense rate shall be authorized when a traveler can reasonably be expected to incur expenses in one location comparable to those arising from the use of establishments catering to long-term visitors, and when the traveler is expected to be in one location for 30 or more consecutive days *but not in excess of one year*.

CONUS Travel. For domestic travel assignments of 30 days or more within the continental United States, the **per diem** allowance authorized for subsistence expenses is based on an estimate of actual daily expenses (see below for information on estimating and computing a daily expense rate). Reimbursement of such expenses shall be limited to a daily amount of up to 55% of the applicable federal per diem rate (published by the General Services Administration) established for travel within CONUS (see Appendix B). *Actual costs paid for lodging taxes, which are not included in CONUS per diem rates, may be reimbursed as a miscellaneous expense.*

OCONUS Travel. Travel within Alaska, Hawaii and U. S. possessions shall be reimbursed up to 55% of the non-foreign locality per diem rates (see Appendix B).

Daily Expense Rate. The daily expense rate is computed by dividing the monthly lodging costs (determined by estimating actual expenses) plus an appropriate amount for M&IE (not to exceed the amounts specified in Appendix B), by the number of days of occupancy in the rental period. The following recurring expenses may be considered part of the lodging cost when a traveler rents a room, apartment, house, or other lodging on a long-term basis:

- Rental cost of a furnished dwelling;
- Utilities;
- Monthly base telephone charges.

c. Indefinite Travel - Assignments that Exceed One Year

Under the IRS one-year rule, travel away from home that lasts more than one year in a single work location is considered indefinite. Any travel expenses reimbursed during that period must be treated as taxable income subject to withholding for income and employment taxes (i.e., social security and Medicare).

Accordingly, for an employee whose indefinite assignment requires a change of residence in order to undertake an assignment, who plans to return at the end of the assignment, and who expects to remain in a single location for *more than one year*, subsistence expense reimbursement shall be treated as follows:

- The entire reimbursement, effective as of the first day of the traveler's assignment, shall be included in the employee's gross income subject to withholding for income and applicable employment taxes;
- The subsistence reimbursement must be paid through the payroll system as additional income subject to withholding;
- The reimbursement for such assignments shall be limited to 2 years. An exception may be granted by the Chancellor to extend the reimbursement for a longer period of time; and
- The cost of moving the employee to and from the location of the indefinite assignment shall be reimbursed in accordance with University moving policies (refer to [BFB G-13](#), Policy and Regulations Governing Moving and Relocation.)

To compensate for additional federal and state income taxes and employment taxes owed by the employee, the reimbursement rate for subsistence expenses may be increased *up to 150%* of the per diem rates authorized for domestic travel of 30 days or more (see Section 1.b. above).

A separate calculation of the amount of the increase must be made for each employee, taking into account each employee's additional federal and state income tax liability and liability for employment taxes. The formula provided by the IRS for grossing up payments to cover an employee's tax liability should be used to calculate the increase (see Appendix G for examples based on the IRS Tax Gross Up Formula).

Under IRS regulations, the following situations also are considered indefinite assignments:

1) Indefinite Assignment Ends Prematurely

An indefinite assignment that is *realistically expected* to last more than one year shall be considered indefinite regardless of whether it actually exceeds one year. Thus, any amounts withheld in connection with the employee's travel expense reimbursements would not be refundable if the assignment ends prematurely.

2) Temporary Assignment Extended

If a temporary assignment is *realistically expected* to last for one year or less, but at some later date is extended to exceed one year, then the assignment shall be treated as temporary until the date the employee's *realistic expectations* change. Thus, travel expense reimbursements would not be taxable for the period of the assignment that was *expected* to be temporary. Travel expenses reimbursed thereafter must be included in the employee's income subject to withholding.

3) Indefinite Assignment Interrupted by Trips to Former Residence or to Headquarters

An indefinite assignment that is interrupted by occasional trips to the employee's former residence or headquarters shall be subject to the one-year rule. *Such return trips do not change the tax status of an indefinite assignment.*

2. Foreign Travel

a. Travel - Assignments of Less Than 30 Days

Foreign travel shall be reimbursed in accordance with the Federal Maximum Travel Per Diem Allowances for Foreign Areas published by the Department of State (see Appendix B). (Refer to Section 3, Adjustment of Per Diem Rates, below, for information on prorating per diems.) An official University business trip begins when the traveler leaves his or her residence or headquarters, whichever occurs last, and ends when the traveler returns to his or her residence or headquarters, whichever occurs first.

If actual expenses are claimed due to special or unusual circumstances, the traveler must document such circumstances by

submitting a written explanation with the Travel Expense Voucher. The amount reimbursed, however, may not exceed 300% of the applicable federal rate established for the location of travel. The reimbursement of actual expenses must be supported by receipts, as specified in Section XII.B.2, Documentation Requirements.

Following are some examples of special or unusual circumstances that warrant reimbursement of actual expenses:

- A traveler is required to attend a meeting or conference where meals and lodging must be obtained at a prearranged place, and lodging consumes all or most of the applicable maximum per diem allowance;
- The travel is to an area where the per diem is normally adequate, but subsistence costs have temporarily increased because of a special event or function, e.g., a national or international sports event; or
- Due to the situation described above, affordable lodging is not available within a reasonable commuting distance of the employee's meeting or conference and transportation costs to commute to and from the less expensive lodging facility consume most or all of the savings achieved from occupying less expensive lodging.

b. Long-Term Travel - Assignments of 30 Days or More

The per diem allowance authorized for long-term travel is up to 55% of the applicable federal per diem rate (see Appendix B). The traveler is expected to seek long-term accommodations when staying in one location for 30 or more consecutive days *but less than one year*. See Section VIII.B.1.b, Long-Term Travel – Assignments of 30 Days or More, above, for information on estimating and computing a daily lodging rate.

c. Indefinite Travel - Assignments that Exceed One Year

The rules for domestic indefinite travel set forth in Section VIII.B.1.c, Indefinite Travel - Assignments that Exceed One Year, above, also apply to the reimbursement of travel expenses incurred in connection with indefinite foreign assignments of *one year or more, with the following exceptions:*

- To compensate for additional federal and state income taxes and employment taxes owed by the employee, the reimbursement rate for subsistence expenses may be increased by ***up to 150%*** of the applicable federal per diem rate authorized for long-term travel (see Section b, Long Term Travel, above).
- The amount of the increase, if any, calculated for each employee must take into account the effect of the annual foreign earned income exclusion that may be available to the employee.

3. Adjustment of Per Diem Rates

Travelers may not request reimbursement of actual expenses for one portion of a trip and per diem for the remainder. The method selected must be used for the entire trip. However, a per diem may be used for M&IE and actual costs used for lodging. The request for reimbursement of such lodging expenses must be supported by receipts. See Section VIII.B.2.a., Travel – Assignments of Less Than 30 Days, above, if the traveler is claiming actual expenses due to special or unusual circumstances.

a. Adjustment for Multiple Locations

The method provided in Appendix E may be used to determine travel expenses when a trip is reimbursable under more than one per diem rate. This method may not be used if an alternative method is contractually mandated by the funding source.

b. Adjustment for Partial Days

The reimbursement of subsistence expenses shall be calculated in multiples of the applicable federal per diem rate based on the total number of hours between the time of arrival at the foreign or OCONUS location and the time of departure for the return trip to the traveler's headquarters or residence. (See Section VIII.B.2.a, Travel – Assignments of Less than 30 Days, above, for the definition of the beginning and end of a travel assignment.)

For partial days, hours should be rounded to the nearest quarter hour as follows: 3 hours up to 9 hours equals 1/4 day; 9 hours up to 15 hours equals 1/2 day; 15 hours up to 21 hours equals 3/4 day; and 21 hours up to 24 hours equals 1 day.

An alternative method of prorating partial days may be used provided the method is reasonable and consistently applied.

c. Adjustment for Subsistence or Lodging Provided Without Charge

When subsistence or lodging expenses are paid directly by the University, are reimbursed as entertainment expenses, or are otherwise furnished to the traveler without charge, the per diem rate authorized for foreign (or for OCONUS) travel must be reduced correspondingly by the amounts specified in Appendix D. When lodging is provided without charge, only the M&IE portion of the per diem will be reimbursed. An alternative method may be used to reduce the M&IE rate provided the method is reasonable and consistently applied.

Situations that may require an adjustment include the following:

- Meals are furnished as part of official University entertainment,
- Meal or lodging expenses are included in the registration fees,
- Group expenses are billed directly to the University, or
- Complimentary accommodations are extended (generally to a conference leader/coordinator and assistants) by a hotel or motel complex for block patronage of guest rooms.

Refer to Section D, Payment of Group Subsistence Expenses, below, for more information on claiming group expenses.

4. Use of Non-Commercial Facilities

When non-commercial facilities such as cabins, house trailers, vans, field camping equipment, or other such facilities are used, the traveler shall be reimbursed a daily amount based on an estimate of actual expenses up to 55% of the applicable federal per diem rate for the appropriate geographic area (see Appendix B). (See Section VIII.1.b, Long-Term Travel - Assignments of 30 Days or More, above, for information on computing the daily expense rate.)

5. Lodging With a Friend or Relative

When a traveler lodges with a friend or relative while on official business for the University, a non-cash gift, such as flowers, groceries, or a restaurant meal, may be provided to the host. The actual cost of such a gift may be reimbursed up to \$75. Under IRS regulations, a receipt must be provided for gifts costing \$25 or more. ***Only one gift per stay may be provided to a host.***

C. TRAVEL OF LESS THAN 24 HOURS

When the entire length of a trip is *less than 24 hours*, M&IE shall not be reimbursed unless the travel includes an “overnight stay” as supported by a lodging receipt.⁷ If the traveler is unable to provide a receipt, he or she must include a statement with the Travel Expense Voucher explaining why a receipt is not available (e.g., the traveler lodged with a friend or relative, stayed overnight at the airport, or took alternative transportation that required the traveler to be away overnight).

An exception to the overnight-stay requirement may be allowed when a traveler incurs a meal expense in connection with a business meeting (e.g., a working lunch scheduled as an integral part of a meeting or conference). The business purpose of the meal must be explained on the Travel Expense Voucher or substantiated by other documentation (e.g., an agenda), which should be attached to the Voucher. Reimbursement for the cost of the traveler’s meal is allowed up to the maximum amounts set forth in BUS-79.

For a trip of *less than 24 hours* that includes an overnight stay, reimbursement shall be authorized as follows:

1. CONUS Travel

Actual cost of lodging and M&IE, subject to the daily maximum amount set forth in Appendix B for M&IE incurred on travel of less than 30 days. The maximum amount for a single day shall be authorized for the entire trip, even if the trip takes place over two consecutive days.

2. Foreign and OCONUS Travel

Actual cost of lodging, not to exceed the applicable federal per diem rate (see Appendix B). For continuous travel of 21 hours or more, one full per diem should be authorized for M&IE. The per diem must be prorated for travel of less than 21 hours, in accordance with Section VIII.B.3.b.; however, reimbursement may be authorized only if the travel involves an overnight stay. A lodging receipt must be provided or a statement explaining why a receipt is not available, even if the traveler claims the per diem method of reimbursement.

Appendix C provides additional information on the reimbursement of M&IE expenses for travel of less than 24 hours.

⁷ The overnight-stay requirement does not apply to meal reimbursements authorized under BUS-79, Expenditures for Business Meetings, Entertainment, and Other Occasions.

D. PAYMENT OF GROUP SUBSISTENCE EXPENSES

The University may negotiate agreements with restaurants, hotels, and similar establishments to furnish subsistence to a group or groups of University employees when it is to the University's advantage. Under such an agreement, the vendor may be paid either by the group leader or by billing the University.

Reimbursement of such expenses may be claimed by group travelers as follows:

- Group leaders who pay all or part of the group's expenses may be reimbursed by submitting a claim for the actual expenses incurred. The claim must be accompanied by the vendor's invoice/receipt showing payment in full.
- Members of a group who have some portion of their subsistence expenses paid by the group leader may claim reimbursement for the remainder of their subsistence expenses.

E. CALIFORNIA CITY AND COUNTY TRANSIENT OCCUPANCY TAXES EXEMPTION

In a limited number of California cities and counties, University employees traveling on official business are granted an exemption from the payment of occupancy taxes imposed by these cities or counties on the transient rental of rooms. Travelers should identify themselves as University employees and claim exemption from the tax when checking in. The traveler may be required to complete an exemption certificate. For additional information regarding the exemption and a list of cities and counties that grant an exemption, see Accounting Manual chapter [T-182-75](#), Taxes: Transient Occupancy Taxes.