

UC Davis Policy and Procedure Manual

Chapter 300, Travel and Transportation

Section 20, Subsistence Expenses--Travel of 24 Hours or More

Date: 9/15/04

Supersedes: 300-10, 5/21/99 & revisions

Responsible Department: Accounting & Financial Services

Source Document: Business and Finance Bulletin G-28, Policy and Regulations Governing Travel

See [Section 300-10](#), *Travel Policy Overview*, for forms, quick links, and references.

I. Domestic Travel (Travel Within the United States and Its Possessions)

For purposes of determining the applicability of 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. Short-term travel (assignments of less than 30 days)

1. CONUS travel. For travel assignments of less than 30 days within the continental U.S. (CONUS), the reimbursement of daily subsistence expenses shall be based on the actual amounts incurred for lodging and meals and incidental expenses (M&IE). M&IE reimbursements shall be limited to the actual reasonable costs incurred, subject to the daily maximum reimbursement cap (<http://www.ucop.edu/ucophome/policies/bfb/g28b.pdf>). This cap amount shall not be treated as a per diem.

Lodging expenses must be supported by itemized receipts, regardless of the amounts incurred, and must be reasonable for the locality of travel.

2. 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 (<http://www.ucop.edu/ucophome/policies/bfb/g28b.pdf>).

B. Long-term travel (assignments of 30 days or more)

1. CONUS travel. For domestic travel assignments of 30 days or more within the continental U.S., 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 (<http://www.ucop.edu/ucophome/policies/bfb/g28b.pdf>). Actual costs paid for lodging taxes, which are not included in CONUS per diem rates, may be reimbursed as a miscellaneous expense.
2. OCONUS travel. Travel within Alaska, Hawaii, and U.S. possessions shall be reimbursed up to 55% of the non-foreign locality per diem rates (<http://www.ucop.edu/ucophome/policies/bfb/g28b.pdf>).

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), 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)

1. 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 (e.g., 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 expenses 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 Associate Vice Chancellor--Finance to extend the reimbursement for a longer period of time.
- The cost of moving the employee to and from the location of the indefinite assignment shall be reimbursed in accordance with University moving policies (see [Academic Personnel Manual Section 550](#), Moving Expenses for Intercampus Transfers).

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 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 (<http://www.ucop.edu/ucophome/policies/bfb/g28g.pdf>).

2. Under the IRS regulations, the following situations also are considered indefinite assignments:
 - a. 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.
 - b. 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.
 - c. 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.

II. Foreign Travel

A. Short-term travel (assignments of less than 30 days)

1. Foreign travel shall be reimbursed in accordance with the federal maximum travel per diem allowances for foreign areas issued by the Department of State (<http://www.ucop.edu/ucophome/policies/bfb/g28b.pdf>). Refer to III below (adjustment of per diem rates) for information on prorating per diems. Per diem begins upon arrival at the travel's foreign destination and ends upon departure. For trips with more than one foreign destination, the per diem rate for the first destination begins upon the traveler's arrival and ends upon departure from that destination; at that point, the per diem rate for the second destination begins and is used until the traveler departs from that location.
2. 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 provided in [Section 300-26](#) (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.
- 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 (<http://www.ucop.edu/ucophome/policies/bfb/g28b.pdf>). 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 I.B above (long-term travel) 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 I.C above (indefinite travel) also apply to the reimbursement of travel expenses incurred in connection with indefinite foreign assignments that exceed one year, with the following exceptions:

1. 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 applicable federal per diem rate authorized for long-term travel. See I.B above (long-term travel).

2. 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.

III. 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 I above (domestic travel) if the traveler is claiming actual expenses due to special or unusual circumstances.

A. Adjustment for multiple locations

The method provided at <http://www.ucop.edu/ucophome/policies/bfb/g28e.pdf> 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 above (domestic travel) for the definition of the beginning and end of a travel assignment.

For partial days, hours should be rounded to the nearest quarter 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.

C. Adjustment for subsistence 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 at (<http://www.ucop.edu/ucophome/policies/bfb/g28d.pdf>). When lodging is provided without charge, only the M&IE portion of the per diem will be reimbursed.

- Situations that may require an adjustment include the following:
- Meals furnished as part of official University entertainment.
- Meals or lodging expenses included in the registration fee.
- Group expenses billed directly to the University.
- Complimentary accommodations extended (generally to a conference leader/coordinator and assistants) by a hotel or motel complex for block patronage or guest rooms.

See [Section 300-19](#) (group subsistence expenses) for information on claiming group expenses.

IV. Exceptions To Per Day/Per Diem Rates

- A. Vice chancellors and deans are authorized to grant exceptions to policies regarding per diem reimbursement ceiling rates when in their judgment circumstances warrant such action. This authority may be redelegated only to the department head or unit director level provided that the vice chancellor or dean has established appropriate controls, criteria, and procedures. Accounting & Financial Services shall be informed in writing of all redelegations made by vice chancellors and deans.

1. Exceptions involving use of extramural funds, when a limitation on travel rates is prescribed in the contract or grant, can be made only by the granting agency.
 2. Exceptions to the established per diem reimbursement ceiling rates should be approved in advance and shall be granted only when it is not possible to obtain meals within the ceilings.
- B. When exceptions are granted, reimbursement is limited to the actual cost of meals and incidental expenses. Claims for reimbursement of actual expenses must be supported by receipts. An approved Request for Exception (<http://accounting.ucdavis.edu/forms/>) must accompany the traveler's Travel Expense Voucher.

V. 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 (<http://www.ucop.edu/ucophome/policies/bfb/g28b.pdf>). See I.B above (long-term travel) for information on computing the daily expense rate.

VI. 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.