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RUSSEL S. NAGATA
COMPTROLLER

JAMES H. YASUDA
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P. O. BOX 119
HONOLULU, HAWAII 96810-0119

August 2, 1990

COMPTROLLER'S MEMORANDUM NO. 1990-19

TO: Heads of Departments

ATTN.: Fiscal Offices

FROM: Russel S. Nagata, Comptroller

SUBJECT: Payroll Withholdings on Excess Travel and Other Reimbursements

This memorandum supplements two earlier ones on the above subject. For background, you may wish to refer to:

Comptroller's Memorandum No. 1990-13, dated June 7, 1990

Comptroller's Memorandum No. 1990-18, dated July 11, 1990

As announced by the first of the above memorandums, training sessions were conducted during the last two weeks of June to familiarize departmental staffs with the new procedure for tax withholding on certain allowances paid to State employees. The content of the training sessions was based on temporary regulations of the Internal Revenue Service and related Revenue Procedures.

Subsequent to the training sessions, we have received the Internal Revenue Service's Revenue Procedure 90-38, issued June 20, 1990, revising the requirement for tax withholding on per diem allowances. The purpose of this memorandum is to document the revision to the procedure for calculation of tax withholding on those allowances.

The portion of Revenue Procedure 90-38 pertinent to this memorandum is Sec. 4, which provides that, when the State pays for actual expenses for lodging, only the portion of the per diem allowance allocable to meals and incidental expenses is subject to the calculation of a taxable amount for tax withholding purposes. The State in effect pays for actual expenses for lodging whenever approval is given to a traveler for "excess lodging"; in those cases, therefore, only the meals and incidental expenses portion of the per diem allowance should be involved in the calculation of the per diem amount subjected to tax withholding.

Under current collective bargaining agreements and similar administrative authorizations, the meals and incidental expenses portion of the per diem allowance can be determined as follows:

	Intra-State	Out-of-State
Full per diem rate	$75	$125
Commercial lodging allowance	50	85
Remainder for meals and incidental expenses	$25	$ 40

The above amounts ($25 for intra-state, and $40 for out-of-state) are the amounts to be compared with the appropriate federally allowed amount to calculate the amount on which tax must be withheld. For travel within the continental United States, the federally allowed amount for meals and incidental expenses is currently either $34 per day when travel is to a high-cost locality or $26 per day when travel is to a low-cost locality. For all other travel, the federally allowed amount for meals and incidental expenses is 40% of the full per diem rate. Attached is an illustration of a sample Statement of Completed Travel and the associated calculation sheet covering an example of travel to a low-cost area within the continental United States. This illustration supplements the illustrations provided in the training sessions in June.

Please keep in mind that the revision documented in this memorandum applies only in those cases in which "excess lodging" is approved for payment to the traveler. In all other respects, the information provided in the training sessions and in our earlier memorandums remains in effect.

RUSSEL S. NAGATA
Comptroller

Attachment

STATEMENT OF COMPLETED TRAVEL

partment: _____ Payroll #: 125

vision/Program: _____ Date: _____

Check One: _____ Within State

_____ Out of State

In accordance with Section 78-15, HRS, as amended, and the Comptroller's Rules and Regulations, I certify that I traveled from Honolulu, Hi. to San Mateo, Ca. on official business.

Date of Departure: 7/1/90 Time: 6:00 a.m.

Date of Return: 7/3/90 Time: 7:30 p.m.

This travel was authorized by _____ on _____ on a memorandum request from the _____ dated _____.

The following is an accouting of funds advanced to me for travel expenses:

Advanced by State warrant $ 0

Voucher No. ____ Date: _____ App'n Symbol _____

Per Diem: 0 Quarter day (s)			
3 Full day (s)	375.00	375.00 (2)	
Allowable Expenses (see attached statement)		1046.00 (1)	
Due State Of Hawaii		$ _____	
Reimbursement due to me		$ 1421.00	

John Q. Public — (Signature of Claiment)

243-96-4069 — (Social Security Number)

BU No.

Calculation of Reportable and Taxable Per Diem To Be Used With Statement of Completed Travel and Statement of Intra-State Travel Completed

A. Employee Name John Q. Public S.S. # 243-96-4069 Payroll # 125

B. Date of Departure: 7/1/90 Date of Return: 7/3/90

C. Destination: San Mateo, Ca.

D. Total Number of Days: 3.0

E. Total Per Diem Received: $ 120.00 (3)

F. Federally Allowed Amount (D x 26 (4) /day): (L) $ 78.00

G. Taxable Amount (E - F, but not less than 0) (T) $ 42.00

Instructions for Completion:

a. If amount G above is equal to 0, this form may be discarded.

b. If amount G above is greater than 0, give one copy of this form to employee and forward one copy to appropriate departmental accounting personnel for coding on the next payroll change schedule.

Instructions for Coding on Payroll Change Schedule:

a. Locate the employee name and social security number on the payroll change schedule.

b. Enter on the first available line in the "Wages-In-Kind or Cola" fields, code L and the amount from F.

c. Enter on the next available line in the "Wages-In-Kind or Cola" fields, code T and the amount from G.

1) Analysis reveals that additional monies were received for lodging.
2) Total per diem received by the employee was $375.00 ($125 per day times 3 days).
3) Since additional monies for lodging were included in allowable expenses, only payments for meals and incidentals are used to calculate reportable and taxable amounts.
4) The federal allowed amount for meals and incidentals for low cost areas is $26 per day.