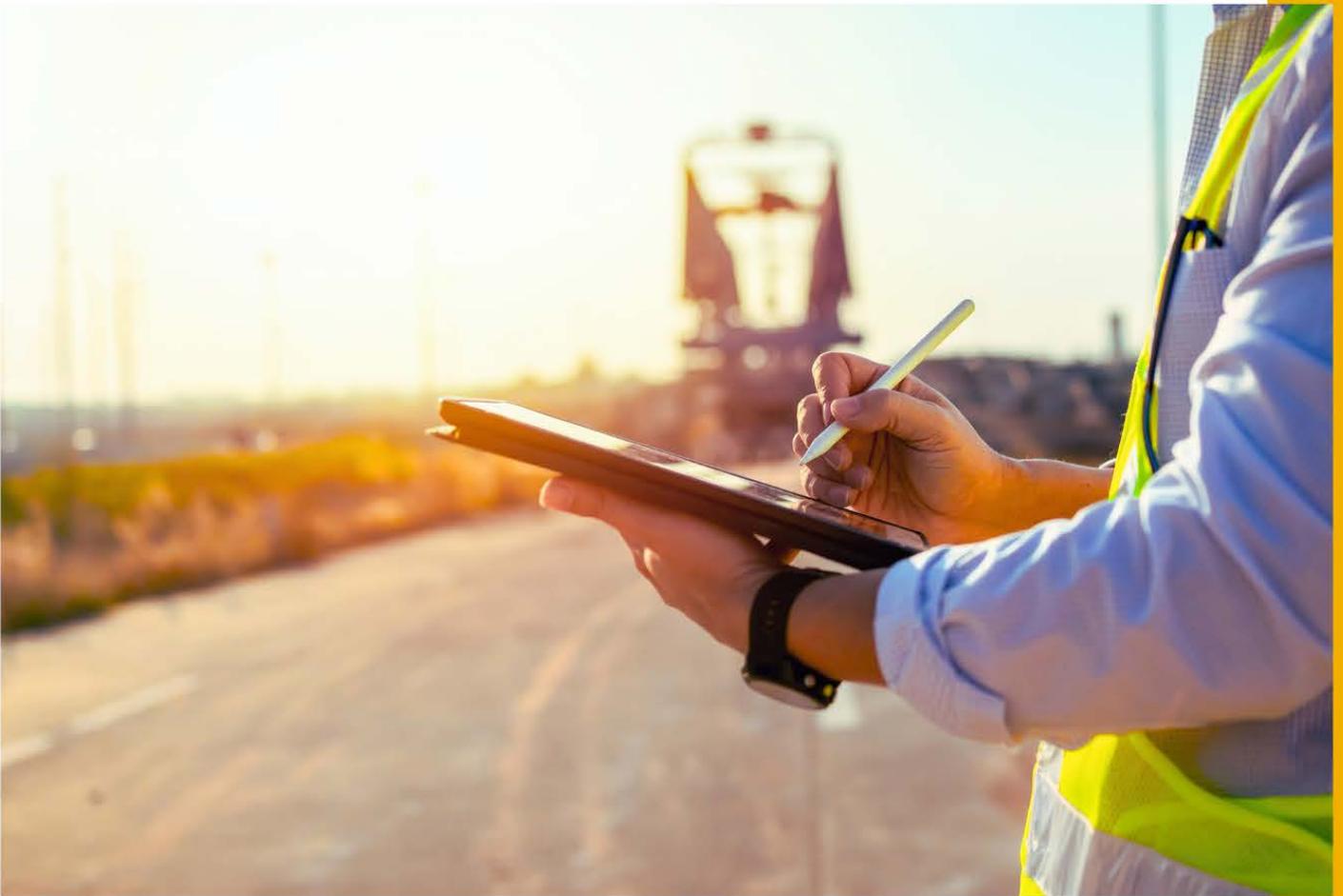


MOBILE WORKFORCE GUIDELINES

FOR CONTRACTORS

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CPAs WHO KNOW CONSTRUCTION

The construction industry, by its very nature, depends on mobility and getting to where the projects are located, whether that is across a city or region, state, or country. Costs related to mobility are unique and there are various methods of covering or reimbursing your workforce for those costs. The methods you use and your compliance with the related regulations can impact the ultimate cost to your organization as well as your employees and the difference can be significant.

The intent of this guidance is to present information you need to analyze which methods provide the best result for your organization as well as some helpful tools to assist with compliance.

RECENT CHANGES AFFECTING THE MOBILE WORKFORCE

Contractors have faced myriads of tax changes over the past several years. Some of the changes directly impact treatment of business travel, meals, and entertainment for these taxpayers. A recap of the significant changes is detailed below:

Restaurant Meals - 50% deductible for 2025

All business related restaurant meals are subject to a 50% deduction limitation for years 2023 through 2025. Examples of 50% deductible meals include:

- A meal with a client where business is discussed.
- Meals consumed by an employee while traveling for business.
- Meals at a conference or meeting related to your business.
- Food purchased for a board meeting.
- Dinner provided for employees working late.

IRS Standard Mileage Rate

The IRS provides a standard mileage rate for taxpayers as an option for computing automobile expenses in certain situations which will be described in more detail later in this document.

Typically, the IRS determines the rate before the beginning of each calendar year. For calendar year 2024, the IRS published the standard mileage rate of \$0.67 cents per mile. For calendar year 2025, the IRS published the standard mileage rate of \$0.70 cents per mile.

Depreciation

Contractors have gotten familiar over the last few years of the ability to take 100% bonus depreciation on new and used fixed assets put into place by the Tax Cuts and Jobs Act (TCJA). Starting in 2023, bonus depreciation began to phase out to 80% and continued to step down to 60% in 2024 and 40% until Jan. 19, 2025. However, the One Big Beautiful Bill Act reinstated 100% bonus depreciation permanently for assets placed in service after January 19, 2025.

COMMITTEE MEMBERS

Many thanks to the committee members listed below for their hard work and efforts in compiling this information for CICPAC members and their construction clients.

2025 Update Committee
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ACCOUNTABLE VS. NON-ACCOUNTABLE PLANS

Contractors with employees working in various locations often results in those employees incurring some out-of-pocket business expenses. A contractor can either reimburse an employee for actual travel and business expenses or pay the employee a per diem or other expense allowance. The treatment for both the employer and employee of these reimbursements or allowances depends on whether the arrangement is an **accountable plan**.

A plan is accountable if it meets all of the following criteria:

- Is for the purpose of reimbursing employees for allowable business expenses paid or incurred in their performance of services as employees;
- Clearly identifies payments made under the plan;
- Requires substantiation of the amount, time, place, and purpose of the expenses being reimbursed; and
- Requires the return of any portion of an allowance that relates to days or miles of travel not substantiated by the employee within a reasonable time.

If the arrangement meets the accountable plan criteria:

- A contractor/employer deducts reimbursements made to the employee as a *business expense*.
- The deduction is subject to the 50% limitation rules for any meal expenses (entertainment expenses are not deductible).
- None of the reimbursement is included in the employee's income and there is no impact on payroll taxes.

An expense reimbursement plan that does not meet all the criteria listed above it will be considered a **non-accountable plan**. The most common example of such a plan is an expense allowance where the employee is paid a flat amount each month for expenses and is not required to file an accounting of these expenses with the employer.

Payments under a non-accountable plan are 100% deductible by the employer but only as additional compensation to the employee rather than as travel and business expenses. As wages, the payments are subject to withholding and FICA taxes and are included with other salaries and wages on the employee's Form W-2.

The Tax Cuts and Jobs Act of 2017 (TCJA) eliminated the deduction for employee related business expenses for tax periods beginning after 2017 and before 2026. As a result, the employee cannot deduct any expenses related to the payments on the employee's individual income tax return.

Prior to the enactment of TCJA, the employee could deduct the employee business expenses as miscellaneous itemized deductions on the employee's individual income tax return (subject to the 2% of adjusted gross income (AGI) limitation).

An accountable plan is clearly the most advantageous type of plan for both the employer and the employee especially after the enactment of the TCJA of 2017. A non-accountable plan increases the payroll, payroll taxes and other payroll related costs such as workers' compensation insurance for the employer as well as creates taxable income for the employee with no offsetting employee business expense allowed.



REIMBURSABLE TRAVEL EXPENSES - TYPES OF WORK ASSIGNMENTS

Construction companies may reimburse travel expenses as either local transportation costs or travel requiring overnight stays. Employee commuting costs are NOT considered business related travel so any reimbursements or payment for those costs should be treated as taxable compensation to the employee. Determining business vs. commuting travel can sometimes be difficult. To make this determination, there must be an establishment of the employees' workplace. Under the IRS rules an employee can have a *Regular Workplace*, *Temporary Workplace* or *Multiple Workplaces*. Evaluating the category the employee fits into will help determine if and how much of their mileage and travel expenses (i.e. meals and lodging) will qualify as travel or commuting.

Regular Workplace

A **regular workplace** is defined within Rev. Rul. 99-7 as any location where an employee works or performs services on a consistent basis. A workplace is considered "regular" when an employee performs work there for longer than a one-year period. It is important to note that a work location is "regular" whether or not the employee works at that location every week or on a set schedule.

A few examples of employees in the construction industry with a *regular work* location are:

- Employees who regularly and consistently work in the main office such as administrative, finance, executives, and project estimators
- Field employees (i.e. Project Managers, Engineers) who are assigned to a jobsite for longer than a year

The mileage incurred by the employee traveling to the specified job site or office in this scenario is always considered commuting. Any reimbursement to the employee from the Company of this type of mileage is considered taxable compensation.

Temporary Workplace

A **temporary work location** is characterized by the duration of time an employee spends working at that location. As mentioned previously, Rev. Rul. 99-7 provides a one-year threshold for defining a *temporary vs. regular workplace*. An employee has a *temporary workplace* when he or she is on an assignment that is realistically expected to last for one year or less. A work location is not considered temporary if the assignment is genuinely expected to last for more than one year.

An example is a finance employee that has an established work location at the main office but occasionally travels to a jobsite from their personal residence or office to review the progress of the job. The travel from the office to the jobsite will generally be considered business mileage. The key in this example is that the employee has already established a *regular work location* which is the main office. This allows reimbursement for travel to other *temporary job locations* or offsite meetings to be considered business mileage. The reimbursement would be considered a deductible local transportation expense or travel to the employer and a nontaxable reimbursement to the employee.

Temporary Assignment vs. Indefinite Assignment

As discussed above, travel expenses paid or incurred for temporary employment away from home generally are considered reimbursements (deductible travel to the employer and nontaxable reimbursement to the employee) since the employee is in business travel status away from his current tax home. On the other hand, travel expenses paid for employment away from home that is of indefinite duration are considered compensation paid by the employer to the employee. The employee is considered to have relocated his tax home to the location of the extended work assignment and is no longer in business travel status.

A taxpayer's employment away from home in a single location is deemed indefinite if it lasts for more than one year [[IRC Sec. 162\(a\)](#)].

According to [Rev. Rul. 93-86](#), the IRS will use a *realistic expectation* test to determine when the one-year rule applies. If employment away from home in a single location is realistically expected to last (and does in fact last) for one year or less, it will be treated as temporary in the absence of facts and circumstances indicating otherwise. If employment away from home in a single location is realistically expected to last for more than one year, or there is no realistic expectation that it will last for one year or less, the employment will be treated as indefinite, regardless of whether it actually exceeds one year.

Multiple Workplaces

If contractor employees are required to visit various job sites during the workday, Rev. Rul. 55- 109 established that local transportation costs between work locations and other sites are deductible expenses provided the other aspects of an accountable plan are met. If the accountable plan established by a contractor allows for reimbursement of local transportation costs, the reimbursement to the employee would be deductible as transportation costs to the employer and nontaxable to the employee. However, as noted previously, any commuting expenses are not considered business expenses.

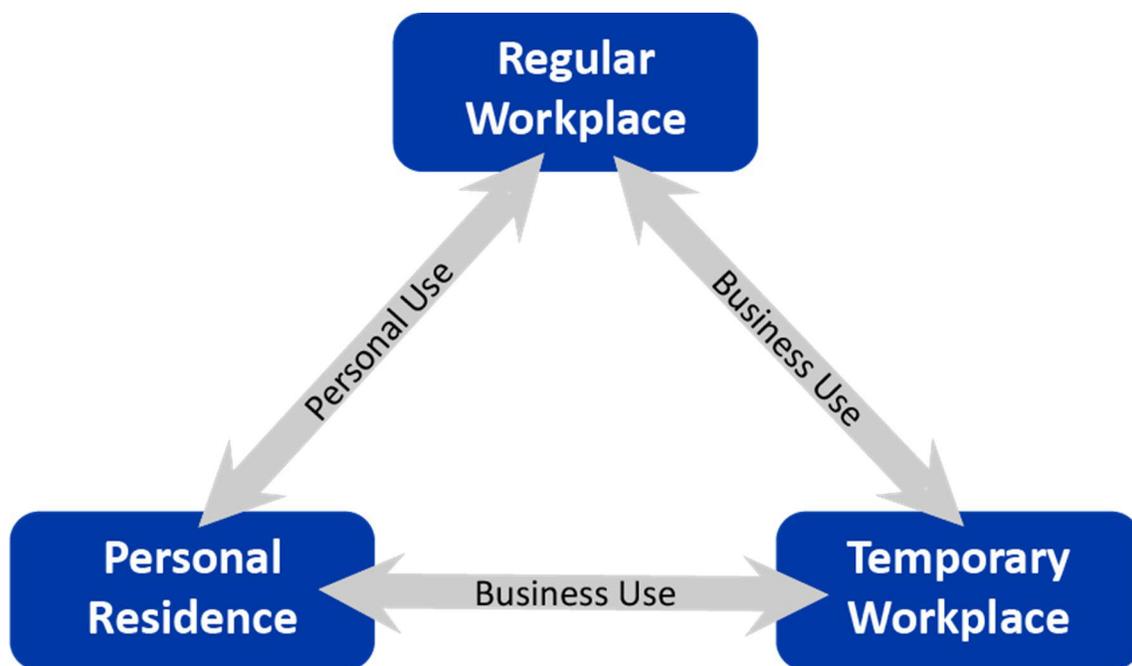
EMPLOYEE TRAVEL REIMBURSEMENT

SCENARIO 1: EMPLOYEE WITH ESTABLISHED (REGULAR) WORK LOCATION		
Work Location	Description	Business or Personal
Employee with regular work location	A <i>regular workplace</i> is any location where an employee works on a consistent basis. A workplace is considered “regular” when an employee performs work there for longer than one year. It is important to note that a work location is “regular” whether or not the employee works at that location every week or on a set schedule.	Travel between an employee’s home and regular work location is personal.



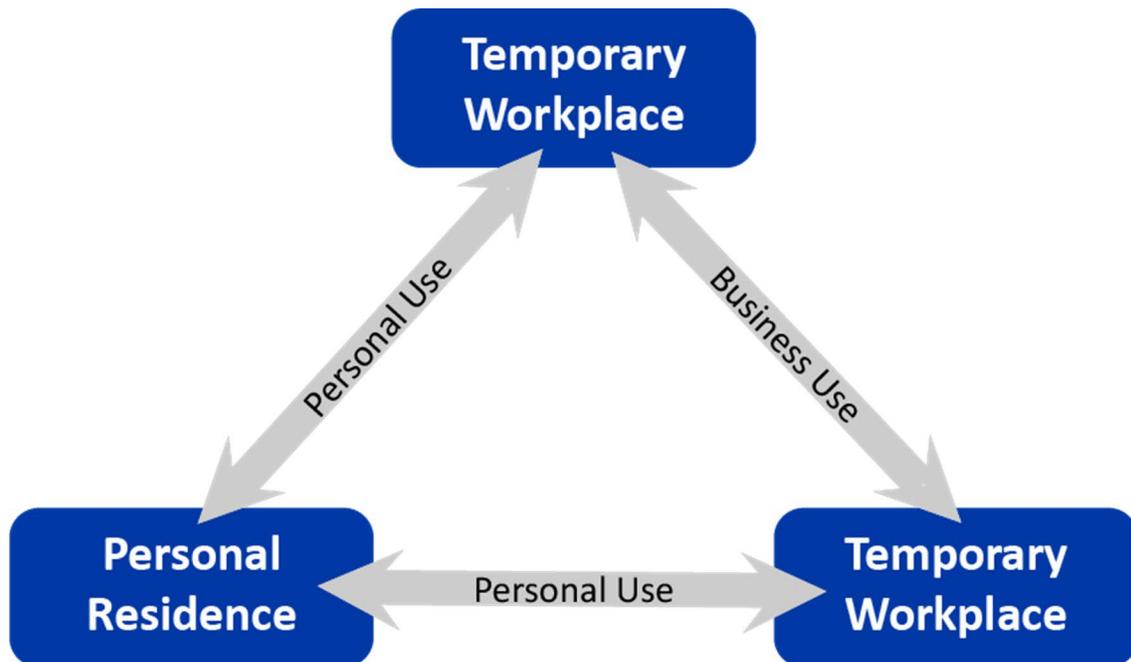
SCENARIO 2: EMPLOYEE WITH ESTABLISHED (REGULAR) WORK LOCATION BUT TRAVELS TO TEMPORARY WORK LOCATIONS

Work Location	Description	Business or Personal
Employee with regular work location who travels to temporary work locations	An employee with a <i>regular work</i> location (as defined above) may sometimes travel to a temporary work location. A work location is <i>temporary</i> when an employee is on an assignment that is realistically expected to last (and in fact does last) for one year or less. A work location is not considered <i>temporary</i> if the assignment is genuinely expected to last for more than one year.	Travel from home to a temporary work location is business. Travel from a regular work location to a temporary work location is business.



SCENARIO 3: EMPLOYEE WITH MULTIPLE TEMPORARY WORK LOCATIONS

Work Location	Description	Business or Personal
Employee with no regular work location who travels to temporary work locations	<p>An employee may find themselves in a situation where they do not have an established <i>regular work</i> location and often travel to <i>multiple temporary work</i> locations throughout the year. The definitions of regular and temporary work locations above apply to this scenario.</p> <p>EXCEPTION: In certain cases, an employee may not have a regular work location and may travel to temporary locations <i>outside</i> of the metropolitan area where the employee lives and normally works.</p>	<p>Travel from home to a temporary work location is personal. Travel between multiple work locations is business.</p> <p>EXCEPTION: One exception to the personal use between residence and temporary work locations is in the case where an employee travels <i>outside</i> the metropolitan area where he or she lives and normally works. Expenses for transportation from a personal residence to a <i>temporary work location outside</i> of the residence/normal work metropolitan area is business use.</p>



FAQs: TYPES OF WORK ASSIGNMENTS

What is the treatment for an employee that travels to a “temporary” work location infrequently or sporadically over a period of time longer than a year (for example a project manager that visits a site on a quarterly basis over 18 months)?

CCA 200026025 allows for a workplace to be considered temporary when there is an expectation that the employee will work at the location for no more than 35 days over the calendar year. The employee must meet the expectation and cannot exceed 35 days at the site. The allowance also requires that the transportation expense is reimbursed under an accountable plan.



ACCOUNTABLE PLAN METHODS

A contractor can use various methods of accountable plans to reimburse employees for qualified local transportation or travel expenses. The most common methods are:

- Direct Reimbursement
- Per Diems
- Company Provided Assets

Direct Reimbursement

Under the direct reimbursement method, the employee submits documentation to support expenses incurred on behalf of the employer which are reimbursed. Typically, the employer establishes detailed policies regarding reimbursement such as expense reports and necessary supporting documentation. The documentation should include the details that would meet the accountable plan criteria (substantiation of time, place, and business purpose of the expense as well as identification of payments made). In the cases of significant travel, the volume of documentation required may be a drawback to this method.

Per Diems

The per diem method allows an employer to establish a rate of reimbursement which reduces the burden of documentation. In addition to the accountable plan criteria, a per diem arrangement requires the following:

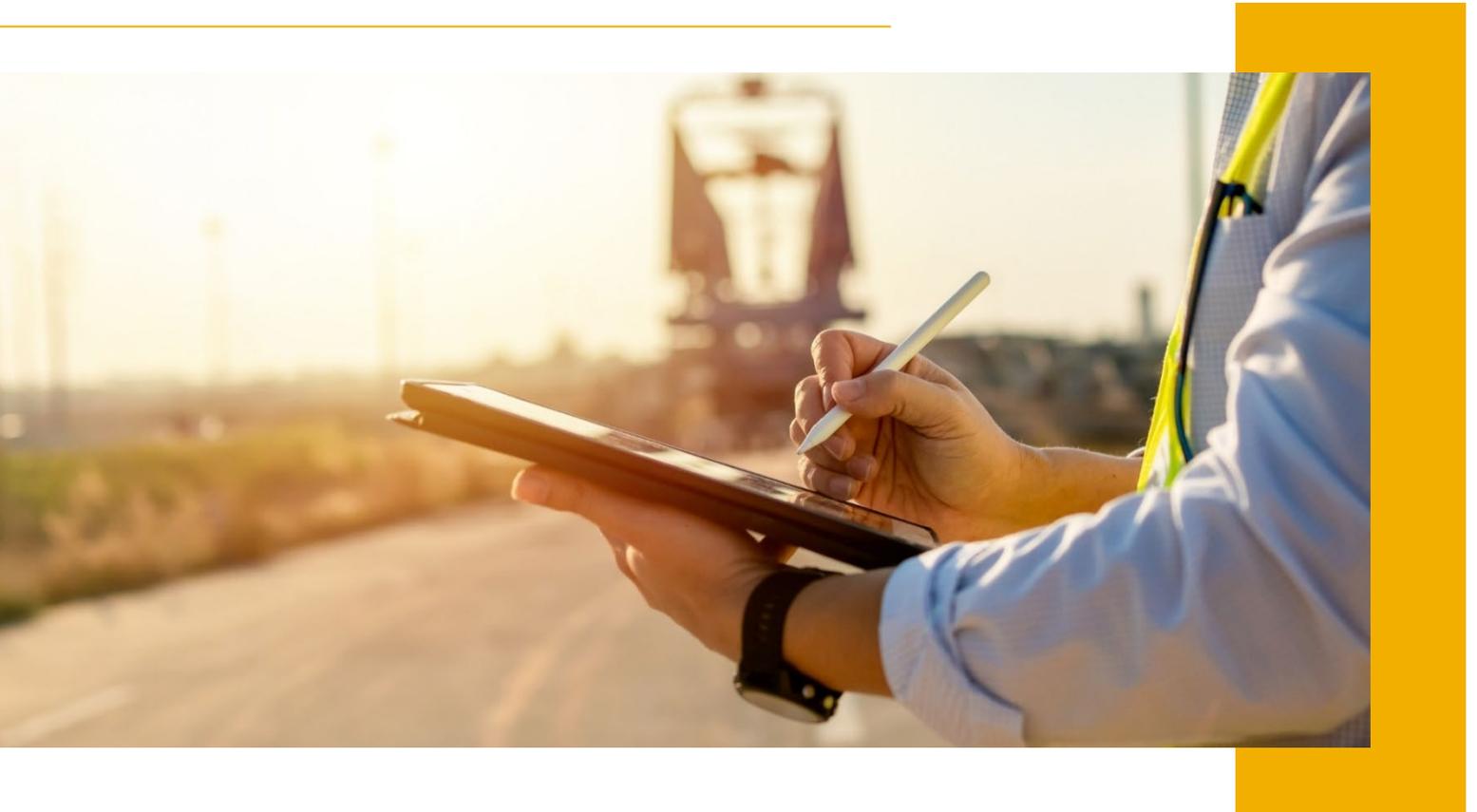
1. Paid for ordinary and necessary expenses incurred or reasonably anticipated to be incurred for either lodging, meal, and incidental expenses, or for meal and incidental expenses, while away from home in connection with performing services as an employee
2. Reasonable calculation to not exceed the amount of anticipated expenses
3. Paid at or below the applicable federal per diem rate, a flat rate or stated schedule, or in accordance with any other Service-specified rate or schedule

The General Services Administration establishes the annual per diem rates for travel within the continental U.S. based on travel to specific localities. The rates can be found at <https://www.gsa.gov/travel/plan-book/per-diem-rates>. The employer can establish a rate over the federal rates, but the excess is includible as wages in the employee's income. The IRS deems that the employees have substantiated expenses as long as the federal rate is not exceeded under three methods:

- 1) Per Diem Substantiation Method which uses the federal per diem rate varying by key city and locality,
- 2) High/Low Substantiation Method which assigns high-cost localities while all other areas are low-cost localities with a specified rate for both, and
- 3) Meals and Incidentals Substantiation (M&IE) which pays only the employee's meal and incidental costs under a federal per diem rate for this method.

Expenses such as lodging taxes are not included in the per diem rates and are allowed to be reimbursed under a direct reimbursement method. The Per Diem substantiation method and the High/Low substantiation methods are not available to related-party employees. You are related to your employer if your employer is your brother or sister, half brother or half sister, spouse, ancestor or lineal descendant. Related also means your employer is a corporation in which you own, directly or indirectly, more than 10% in value of the outstanding stock. There are also relationship rules for trusts.

Amounts reimbursed under per diem rates are subject to the 50% disallowance rule for meals, with the temporary exception explained below. For employers using the per diem substantiation method and the high/low substantiation method, 40% of the per diem allowance is considered meals expenses and is subject to the 50% disallowance rule. The entire amount of the Meals and Incidentals Substantiation method is considered subject to the 50% disallowance rule as long as the rate is equal to or less than the federal M&IE rate.





Company-Provided Automobiles

If an employee's business-related travel is extensive, a contractor may determine it is more cost effective to provide the employee with a company owned automobile vs reimbursement for use of their personal auto. All expenses the company incurs related to the ownership and operation of the automobile are deductible by the company; however, the IRS requires the value of the personal use to be included in the compensation of employees. The IRS allows various methods for the calculation of the personal use of company automobiles. Companies must determine how to handle the personal use of company-provided automobiles. As with other travel related deductions, the qualified business use is required to be substantiated.

Note that an employer may choose different method for each automobile. Generally, once a method is established for the calculation of the value of personal use on a specific vehicle, the employer is required to use that method for the specific vehicle in all future years and all types of use (income tax, employment tax and reporting). Under any of the methods, the employer will either receive a transportation deduction for the working condition fringe benefit or a compensation deduction for employees' personal use portion.

Exhibit 1

ALLOWABLE METHODS FOR VALUING PERSONAL USE

ALLOWABLE METHODS	GENERAL RULES	EXAMPLES / EXHIBITS
<p>Fair Market Value (General Rule)</p>	<p>The FMV of an employer-provided vehicle is the amount the employee would pay a third party to lease a similar vehicle on comparable terms in the geographic area where the employee uses the vehicle. A comparable lease term would be the amount of time the vehicle is available for the employee's use, such as a 1-year period. The FMV is multiplied by the proportion of employee personal miles to the total miles driven over the year. The calculated amount is included in the employee's compensation. The lease cost cannot be the fair market value if the automobile is leased.</p>	<p>IRS Publication 15-B for additional information</p> <p>SEE APPENDIX D: Sample Usage Policies and APPENDIX F: Employee Vehicle Use Representation</p>
<p>Lease Value Method</p>	<p>Employers determine the value of an automobile provided to an employee by using the annual lease value provided in IRS Publication 15-B. The annual lease value determined from the table is multiplied by the ratio of personal miles to total miles for inclusion in the employee's compensation.</p> <p>The IRS table amount includes value for maintenance and insurance, but not employer-provided fuel. Employer-provided fuel should be included in the employee's wages at FMV or at 5.5 cents per mile for all employee personal miles.</p> <p>FMV for an automobile bought at arm's length is the company's cost, including sales tax, title, and other purchase expenses.</p> <p>For a leased vehicle, safe harbor value may be: the manufacturer's invoice price (including options) plus 4%; manufacturer's suggested retail price less 8%; or retail value of the automobile reported by a nationally recognized pricing source if reasonable.</p> <p>Once computed, the Annual Lease Value remains in effect until 12/31 of the 4th full calendar year after the rule is first applied.</p>	<p>SEE APPENDIX G.1: Annual Lease Value Methods and Tables</p>

ALLOWABLE METHODS	IMPACT ON EMPLOYEE	EXAMPLES / EXHIBITS
Cents-per-mile Method	<p>If certain qualifications are met, the value of the personal use can be the standard mileage rate multiplied by the number of annual personal miles. For 2025, the standard mileage rate is 70 cents per mile and the maximum fair market value of the vehicle to use the cents-per-mile rule is \$61,200.</p> <p>Two other conditions required to use this method: First, the vehicle is expected to be used regularly and throughout the calendar year. Second, the vehicle is driven over 10,000 miles annually and used primarily by employees.</p>	SEE APPENDIX E: Standard Mileage and Commuting Method Calculation
	<p>The cents-per-mile rate includes the value of maintenance and insurance for the vehicle.</p> <p>However, the rate should not be reduced by the value of any service included not provided. The cents-per-mile method also includes value for fuel. If fuel is not provided, the rate may be reduced by no more than 5.5 cents.</p>	
Commuting Method	<p>The value included in the employee's compensation is \$1.50 multiplied by each one-way commute.</p> <p>To use this method, the company must maintain a written policy prohibiting personal use other than commuting, and the employee who uses the vehicle cannot be a control employee. A control employee is an officer whose pay is \$140,000 or more (\$135,000 for 2024); a director; an employee whose pay is \$ 285,000 or more (\$275,000 for 2024); or an employee who owns a 1% or more interest in the company.</p>	SEE APPENDIX E: Standard Mileage and Commuting Method Calculation

Excluded Vehicles

Because of the nature of qualified nonpersonal use vehicles, an employee is not likely to use more than a minimal amount for personal purposes. None of the employee's use of this type of vehicle will be considered personal use. Examples of this type of vehicle are clearly marked emergency vehicles, delivery trucks, flatbed trucks, cargo trucks over 14,000 lbs., buses, hearses, construction equipment (cranes, derricks, forklifts, etc.), qualified moving vans and other similar special-use vehicles. Vans and pickup trucks do not qualify as qualified nonpersonal use vehicles unless specifically modified to be unlikely to allow more than minimal personal use. For a van or pickup truck with a loaded gross vehicle weight of 14,000 pounds or less, the vehicle must be clearly marked with permanently affixed decals, special painting or other advertising associated with the trade, business or function.

FAQs: ACCOUNTABLE PLAN METHODS

If I use actual reimbursement, what records should be kept?

The tax rule specifies that no deduction is allowable for travel and business expenses unless a taxpayer substantiates, by adequate records or sufficient evidence corroborating its own statement—

- the amount of the expense,
- the time and place or date and description of the activity,
- the business purpose, and
- the business relationship of the persons entertained, using the facility or property, or receiving the gift.

This rule applies to travel (including meals and lodging while away from home), local transportation, business gifts, and all listed property, including autos.

In addition to the general substantiation rule, contractors must maintain documentary evidence, such as a written receipt, for lodging expense regardless of amount, and for other travel and business expenses of \$75 or more. This requirement does not apply to transportation charges, such as taxi fare, if such evidence is not readily available for those charges. Documentary evidence is considered adequate to support the expenditure if it includes sufficient information to establish the amount, date, place and the essential character of the expenditure. Electronic receipts qualify as documentary evidence. Ticketless travel itineraries and receipt documents transmitted via e-mail and fax also qualify as documentary evidence.

Can I give the employee a travel advance under an accountable plan? If so, how is it treated?

To prevent a financial hardship to employees who will be traveling away from home on business, employers will often provide advance payments to cover the costs incurred while traveling. As stated above, travel advances may be excludable from wages if they are paid under an accountable plan. See FAQ below for the safe harbors established as a reasonable time. There must also be a relationship between the size of the advance and the estimated expenses to be incurred. Reg. §1.62-2(c)(4)

What is a “reasonable time” under an accountable plan for an employee to submit documentation for reimbursement or to return excess payments?

The timing depends on the facts and circumstances. Regulations allow for two safe harbors.

- 1) Fixed date allows a safe harbor for advances within 30 days of the expense, substantiation should be made within 60 days of the expense and any excess should be returned within 120 days after the expense.
- 2) Periodic statement method allows an employee to submit periodic statements (minimum is quarterly) for substantiation and return of any excess payments over expenses within 120 days.

What is the impact if the per diem exceeds the federal per diem rate or the per diem exceeds the actual expenses?

Any payments which are more than the per diem rate will also be deductible as compensation subject to withholding and payroll taxes to the employer and taxable as compensation to the employee.

As long as the per diem does not exceed the federal rate, excess advances for days of substantiated travel does not need to be returned. However, the excess is treated as paid under a non-accountable plan.

Are there differences in per diem rates on the first and last day of travel?

If you travel for part of a day, such as on days you depart and return, you must prorate the standard meal allowance. This rule applies if employer uses the federal per diem rate.

You can use one of two methods:

1. 3/4 of the per diem meal allowance for each partial day an employee is traveling away from home
2. Prorate standard meal allowance using any method you consistently apply in accordance with reasonable business practices.

What is considered an incidental expense for purposes of per diem?

Incidental expenses include ONLY fees and tips given to:

- Porters
- Baggage carriers
- Hotel staff
- Staff on ships

Transportation between places of lodging or business and places where meals are taken, and the mailing cost of filing travel vouchers and paying employer-sponsored charge card billings are no longer included in incidental expenses. These may be reimbursed separately.

For contractors with long-term projects, what general range are companies paying their salaried staff for per diems while assigned to the project?

The GSA establishes the federal per diem rate at <https://www.gsa.gov/travel/plan-book/per-diem-rates>.

In the U.S. the General Services Administration (GSA) sets the per diem rate for each U.S. city and state. Per diem rates change as costs rise, and they vary based on the geographic area in which the employee is traveling. Costs for hotels, meals and other typical travel expenses can vary widely from one city to another.

Does the employee have to substantiate the expenses for per diem to be non-taxable?

For the per diem to be non-taxable to the employee, the employer must have established an accountable plan. An accountable plan does have a requirement of adequate substantiation for the per diem to be non-taxable. If the accountable plan bases the reimbursement on the federal per diem rates or less for meals, lodging and incidentals, then no substantiation of actual amounts is required (i.e., the federal per diem rate is the maximum per diem rate deemed substantiated). However, substantiation of qualified business travel, time, place, and business purpose is required for per diems paid. A lodging receipt or a receipt for a plane ticket would establish the places and dates of travel.

How are expenses outside of the per diem treated? (Examples - air travel, rental cars, etc.)

If an employer chooses to cover employees under an accountable plan, the employer can use the actual reimbursement method for expenses outside of the expenses covered by the per diem.



For the travel expenses, is it best to reimburse actual expenses incurred or use a per diem? What are the pros/cons that should be considered?

1.) Advantages of Per Diem

- a. It simply allots employees the per diem amount. This reduces the need for the traveler to save purchase receipts.
- b. It generally facilitates prudence because it compels employees to make appropriate purchases that won't go over the amount. An actual-expenses approach places less pressure on employees.
- c. It allows more certainty and predictability in travel budgeting.

2.) Disadvantages of Per Diem

- a. It is sometimes difficult to establish a fair and realistic per diem for different costs in different locations. While a decent lunch in one location might be cheap, that same lunch could be double the cost somewhere else, and the same goes for lodging. This works against the simplicity and predictability of the per diem method.
- b. It may restrict choices that could benefit your business in special cases. If you send a salesperson to prospect for an important potential client, for example, it might be best for your salesperson to pick up the dinner tab. Such a choice, though, would likely push the salesperson above the per diem.
- c. It doesn't eliminate the possibility of fraud, and its reduced documentation requirements may actually make it easier.
- d. Using actual expenses for your expense policy is more straightforward, with one notable exception: Because it demands supporting documentation, it may be more time-consuming and labor-intensive in practice. Your employees will need to be organized in maintaining receipts, and it will take longer for your accounting staff to review travel costs. This can lead to discrepancies that take time to investigate and resolve.

COMPANY PROVIDED LODGING

Contractors may also provide housing or lodging for employees that is deductible as a business expense and excluded from the employee's income provided certain criteria are met.

- 1) Lodging must be on the employer's business premises.
- 2) Lodging must be provided for the employer's convenience rather than for the employee's convenience.
- 3) The employer must require the employee to accept the lodging as a condition of employment.

If the employee can choose cash in lieu of the provided lodging, then the lodging will not qualify as excludible company-provided lodging even if the employee chooses the lodging over the cash option.

Lodging at isolated or remote job sites qualifies as "for the employer's convenience" where there are no other lodging options available.

OTHER WORKING CONDITION FRINGE BENEFITS

Other assets considered that may be provided by an employer and considered working condition fringe benefits as a result of requiring an employee to work at a location away from his home include assets such as cell phones and computers.

Working condition fringe benefits are excluded from an employee's income. [IRS Publication 15- B](#) details other fringe benefits that are excluded from an employee's compensation.

FAQs: MISCELLANEOUS

Should we have a well-defined travel reimbursement and per diem policy for our field employees?

Yes, given the necessity of substantiation in the employer's ability to deduct, and the employee's ability to exclude from income, their travel expenses. The employee's understanding of the policy and substantiation requirements will serve to prevent them from being taxed on any benefits or reimbursements. The written policy should include process for requesting reimbursement, timing of the reimbursement, process of returning any excess payments, types of expense reimbursements, maximum amount allowable for certain expenses and preferred suppliers for reduced expenses (if any).

<https://www.journalofaccountancy.com/issues/2020/feb/employee-expenses-accountable-plan/>

How do I account for/report taxable noncash fringe benefits?

Fringe benefits that are not specifically excludable from income must be included in the employee's compensation. The amount is deductible by the employer as wages subject to the related payroll taxes. The employer must determine value of taxable **noncash** fringe benefit no later than January 31 of the next year but may reasonably estimate the value of fringe benefits for purposes of withholding and depositing on time.



Appendix A

SAMPLE DIRECT TRAVEL AND PER DIEM POLICY LANGUAGE

ABC Contractor Per Diem and Travel Reimbursement Policy Effective January 1, 2025

Per Diem Meals Reimbursement: When the job requires, and the Company provides overnight accommodations, then a per diem amount of **\$30 per day** will be paid for each day the associate works at the job site.

Travel Reimbursement: It is a condition of employment for field associates to provide their own transportation to and from the various jobsites throughout the year. Transportation to the jobsites from the home office may be available if there is passenger room in a company vehicle transporting tools, materials, or equipment to the site.

Standard Work Area: includes all job locations within a radius of **45** miles of ABC Contractor's facility which is currently xxx street, city, state, zip. Job distance is determined by the mileage stated from ABC Contractor to the job site as provided by Google Maps.

Travel Reimbursement will be paid to the associate working outside of the **Standard Work Area** (both the driver and passenger) if the associate does not receive any other compensation (hourly drive time).

Travel Reimbursement will be paid for each day (to and from the job site) according to the following schedule: Distance from ABC Contractor to the Jobsite	Additional compensation per work day
45 miles but less than 60 miles	\$ 12 per day
60 miles and over	Will be determined on job by job basis

Overnight Stay

Drivers will be paid hours worked at current drive time rate.

Travelers will be paid hours worked at current travel rate.

*Travel from hotel to job site will not be paid as this is considered a normal daily commute (Exception is driver transporting crew or equipment will be paid drive time)

All per diem or travel reimbursements require a reimbursement form completed, signed by superintendent, and turned into the Office Manager by the following Monday morning to be included in the associates next Paycheck. Payments will be processed in payroll the week they are received.

Appendix C

MEALS AND ENTERTAINMENT DEDUCTION PERCENTAGES

Office Holiday Party or Summer Picnic	100% deductible
Client Business Meals	50% deductible for restaurant and non-restaurant meals for calendar years 2023 thru 2025 (Temporary rule was 100% deductible restaurant meals for calendar years 2021 and 2022) if business is conducted, taxpayer is present, and not lavish or extravagant
Entertainment-Related Meals	No deduction (e.g., meals incurred when no business is conducted, potentially at night clubs, cocktail lounges, theaters, country clubs, golf and athletic clubs, sporting events, and on hunting, fishing, vacation and similar trips)
Transportation to/from Restaurant for Client Business Meal	100% deductible
Sporting Event Tickets	No deduction
Club Memberships	No deduction
Meals Provided for the Convenience of Employer	50% deductible (nondeductible after 2025)
Meals Provided to Employees; Occasionally and Overtime Employee Meals	50% deductible
Water, Coffee, and Snacks at the Office	50% deductible (nondeductible after 2025)

Meals in Office During Meetings of Employees, Stockholders, Agents, or Directors	50% deductible
Meals during Business Travel	50% deductible
Meals at a Seminar or Conference, or at a Business League Event	50% deductible
Meals included in Charitable Sports Package	50% deductible
Meals Included as Taxable Compensation to Employee or Independent Contractor	100% deductible
Meals Expenses Sold to a Client or Customer (or Reimbursed)	100% deductible
Food Offered to the Public for Free	100% deductible

Appendix D

SAMPLE COMPANY VEHICLE USAGE POLICIES

1. Policy Prohibiting All Personal Use of Company Vehicles

Management has adopted the following policy regarding personal use of Company-owned vehicles:

Vehicles owned or leased by this Company are to be used solely for Company business. There shall be no personal use of the vehicles (including commuting to and from work). Individuals driving Company vehicles may have occasions where an incidental stop is necessary between business stops. Such use shall not be in violation of this policy.

The Company requires that vehicles not in use shall be parked in designated areas on the Company premises. No personal items are to be stored in the vehicles. Company materials and supplies are to be secured in the trunk, lock boxes or within the Company offices.

Keys are to be returned to _____ upon the close of business each day.

2. Policy Prohibiting All Personal Use of Company Vehicles Except Commuting

Management has adopted the following policy regarding personal use of Company-owned vehicles:

For business reasons, certain employees have been designated to drive a Company-owned vehicle to and from their residence. This shall be the only authorized personal use of the vehicle. Individuals driving Company vehicles may have occasions where an incidental stop is necessary between business stops. Such use shall not be in violation of this policy.

The Company requires that no personal items other than incidentals be stored in the vehicle. The vehicle is to be locked when not in use with work articles stored either in the lock box or trunk during times when the vehicle is not in use.

The Company will compute a daily value for the commuting which will be included in the employee's Form W-2 at the end of the calendar year. Such amount will be the minimum allowed by federal income tax laws.

Note: Internal Revenue Service regulations require the Company to maintain evidence which would enable the IRS to determine whether use of the vehicle is in accordance with policy maintained by the Company.

3. Policy Regarding Cut-Off Date to Calculate the Value of Personal Use of Company- Owned Vehicles

Management has adopted the following policy regarding computation of the taxable value of the personal and commuting use of Company-owned vehicles:

The personal and commuting use of Company vehicles will be computed for the twelve months ending _____ (October 31, November 30 or December 31).

Annually, the Company requires you to provide a complete accounting of the personal use of the vehicle as of _____. The taxable value of the personal use will be computed using the least costly method allowable by tax law.

This income will be considered paid as of _____ and federal, state (if appropriate) and Social Security/Medicare* withholding will be deducted from your _____ paycheck.

OR

The taxable value and related withholding amounts will be reflected on your Form W- 2 at year-end.

Please address your questions to _____.

The company may elect to withhold only Social Security/Medicare. If so, the paragraph should read as follows:

This income will be considered paid as of _____ and Social Security / Medicare withholding will be deducted from your _____ paycheck.

Appendix E

STANDARD MILEAGE AND COMMUTING METHOD CALCULATION FOR COMPUTATIONS OF PERSONAL USE

Method II - Standard Mileage Rate Method **

Generally, in order to qualify to use the cents-per-mile method, the vehicle must: (1) be expected to be regularly used in the employer’s business throughout the calendar year, or (2) be driven at least 10,000 miles per year, and (3) have a fair market value of \$61,200 for a passenger automobile, truck or van first made available in calendar year 2025. Once this method is adopted for a particular vehicle, it must be continued until the vehicle no longer qualifies.

The following schedule applies from January 1 - December 31, 2025:

Enter personal miles	_____ x \$ 0.70 +	\$____
If fuel is NOT provided by the Employer enter personal miles	_____ x \$ 0.055+	(____)
Personal use taxable income		\$____

** Allowable rate is published by the IRS each year

Method III - Special Commuting Method

This method may only be used for vehicles covered by a written policy that allows commuting but no other personal use. DO NOT USE if employee is a 1% or more owner, an officer with compensation of \$140,000 or more for 2025, a director, or an individual with compensation equaling or exceeding \$285,000 for 2025.

Number of commuting round trips made	_____
Value per round trip	x \$ <u>3.00</u>
Personal use taxable income	\$_____

Appendix F

EMPLOYEE VEHICLE USE REPRESENTATION

The IRS requires employers to provide certain information on their tax return with respect to the vehicles provided to employees. This information is also used to calculate the amount of the fringe benefit to be included in the employee’s Form W-2 income.

The IRS generally requires that written records be maintained to document the business use of vehicles. Since the company policy requires employees to maintain the detailed records, please provide answers to the following questions. If you were provided more than one vehicle that was used during the year, you need to prepare a separate statement for each vehicle.

The completed form must be returned no later than _____ or 100% of the value of the use of the vehicle will be included in your Form W-2 income.

Description of vehicle _____

Reporting period from _____ to _____

Odometer reading: Beginning _____ Ending _____

Employee Representation

1.) Was the vehicle available for your personal use during off-duty hours?	
2.) Did you have another vehicle available for your personal use (this includes a vehicle you own personally)?	
3.) Are you an officer or 1% or more owner of the business?	
4.) How many commuting round trips did you make in this vehicle?	
5.) For the reporting period specified above, please provide the number of miles for each of the following categories:	
• Commuting miles	
• Other personal (non-commuting) miles	
• Total personal and commuting miles	
• Total business miles	
6.) Did the employer pay the cost of fuel consumed by this vehicle?	
_____	_____
(EMPLOYEE SIGNATURE)	(DATE)

Appendix G FORMS FOR CALCULATING PERSONAL USE

EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE INCOME RESULTING FROM A EMPLOYER-PROVIDED VEHICLE			
FOR THE YEAR ENDED _____.			
EMPLOYEE: _____			
DESCRIPTION OF VEHICLE: _____			
DATE VEHICLE FIRST MADE AVAILABLE TO ANY EMPLOYEE: _____			
DATE VEHICLE FIRST MADE AVAILABLE TO THIS EMPLOYEE: _____			
ANNUAL LEASE VALUE METHOD (For Autos Available 30 Days or More)			
Fair market value of vehicle ** (to be redetermined at the beginning of the fifth year and every four years thereafter)			\$ _____
Annual lease value, per attached chart APPENDIX G.1			\$ _____ (*)
If a partial year, figure the % used:			
Enter number of days that the vehicle was available: ____			
Divide by number of days in tax year:		/ ____ 36 5__	= X _____%
Prorated annual lease value			_____
Personal use % (personal/total miles, per statement from employee)			x _____%
Personal annual lease value			\$ _____
If fuel is provided by employer, enter personal miles __ x .055			+ _____
Amount added to Taxable Wages on W2			\$ _____
These wages are subject to Social Security & Medicare taxes. (FICA) in addition to Federal and State taxes.			
We will not withhold Federal Taxes unless requested by the employee.			
** "Fair Market Value" is the vehicle purchase price plus tags and sales tax. If the vehicle is leased, use the suggested retail price less 8%. Use this value for the first four years.			

Appendix G.1

ANNUAL LEASE VALUE METHOD AND TABLES

1) Automobile FMV Value	(2) Annual Lease	1) Automobile FMV Value	(2) Annual Lease
\$ 0 to 999	\$ 600	\$ 22,000 to 22,999	\$ 6,100
1,000 to 1,999	850	23,000 to 23,999	6,350
2,000 to 2,999	1,100	24,000 to 24,999	6,600
3,000 to 3,999	1,350	25,000 to 25,999	6,850
4,000 to 4,999	1,600	26,000 to 27,999	7,250
5,000 to 5,999	1,850	28,000 to 29,999	7,750
6,000 to 6,999	2,100	30,000 to 31,999	8,250
7,000 to 7,999	2,350	32,000 to 33,999	8,750
8,000 to 8,999	2,600	34,000 to 35,999	9,250
9,000 to 9,999	2,850	36,000 to 37,999	9,750
10,000 to 10,999	3,100	38,000 to 39,999	10,250
11,000 to 11,999	3,350	40,000 to 41,999	10,750
12,000 to 12,999	3,600	42,000 to 43,999	11,250
13,000 to 13,999	3,850	44,000 to 45,999	11,750
14,000 to 14,999	4,100	46,000 to 47,999	12,250
15,000 to 15,999	4,350	48,000 to 49,999	12,750
16,000 to 16,999	4,600	50,000 to 51,999	13,250
17,000 to 17,999	4,850	52,000 to 53,999	13,750
18,000 to 18,999	5,100	54,000 to 55,999	14,250
19,000 to 19,999	5,350	56,000 to 57,999	14,750
20,000 to 20,999	5,600	58,000 to 59,999	15,250
21,000 to 21,999	5,850		

For automobiles with an FMV of more than \$59,999, the annual lease value equals $(0.25 \times \text{the FMV of the automobile}) + \500 .

FMV

The FMV of an automobile is the amount a person would pay to buy it from a third party in an arm's-length transaction in the area in which the automobile is bought or leased. That amount includes all purchase expenses, such as sales tax and title fees.

If you have 20 or more automobiles, see Regulations section 1.61-21(d)(5)(v). If you and the employee own or lease the automobile together, see Regulations section 1.61-21(d)(2)(ii).

You don't have to include the value of a telephone, or any specialized equipment added to, or carried in, the automobile if the equipment is necessary for your business. However, include the value of specialized equipment if the employee to whom the automobile is available uses the specialized equipment in a trade or business other than yours.

Neither the amount the employee considers to be the value of the benefit nor your cost for either buying or leasing the automobile determines its FMV. However, see *Safe-harbor value* next.

Safe-Harbor Value

You may be able to use a safe-harbor value as the FMV.

For an automobile you bought at arm's length, the safe-harbor value is your cost, including sales tax, title, and other purchase expenses. This method isn't available for an automobile you manufactured.

For an automobile you lease, you can use any of the following as the safe-harbor value.

- The manufacturer's invoice price (including options) plus 4%.
- The manufacturer's suggested retail price minus 8% (including sales tax, title, and other expenses of purchase).
- The retail value of the automobile reported by a nationally recognized pricing source if that retail value is reasonable for the automobile.

Appendix H

SAMPLE QUALIFIED DRIVER POLICIES

ABC Qualified Drivers Policies & Programs

The following **ABC** Policies and Programs pertaining to Employees who are permitted to drive **ABC** vehicles or who are provided an allowance for use of their personally owned vehicle for Business Use; and constitutes **Company Policy**, effective January 1, 2025. Compliance with the following terms is required in order for employees to qualify to drive Company owned vehicles or personal vehicles on company business. These terms have been promulgated in conjunction with **ABC's** insurance carrier.

ABC employees, who drive Company-owned vehicles or are provided an allowance for use of their personal vehicle on company business, and therefore being a "Qualified Driver", is not a right, but a privilege. That privilege is contingent upon compliance with the following requisites involving such Drivers, their obligations with respect to Company-owned vehicles, as well as continued compliance with Company Policy.

Violation of any part of this policy may result in the Driver being placed on the **ABC** "Do Not Drive" list.

Driver Qualifications

- In order to become a "Qualified Driver" an employee must obtain an appropriate license for the type of motor vehicle that he or she is assigned to drive (e.g., a dump truck driver must have a CDL; a pickup truck driver must have at least a regular driver's license; etc.).
- It is the intention of the Company that each such Driver who drives any vehicle larger than a pickup truck should also obtain a Medical Certificate, as such vehicles are considered "Commercial Motor Vehicles".
- The Driver must give written permission to ABC for release of his/her Motor Vehicle Record (MVR) prior to eligibility to drive and at least annually for review. (See attached release form.) MVR reports may be checked more often as warranted by senior management.
- The Driver must present and maintain an acceptable driving record for a rolling calendar period of 36 months, as outlined in the MVR Grading Criteria matrix, set forth on the following page.

NOTE - all moving violations/citations and/or accidents that occur, even if they occur while the Driver is operating a non-owned (e.g., personal) vehicle not being used for company business, will be counted toward the following MVR criteria:

Motor Vehicle Record Grading Criteria (last 36 months)

# Non- Major Violations	Number of Preventable Accidents			
	0	1	2	3
0	Clear	Acceptable	Borderline	Poor
1	Acceptable	Borderline	Poor	Poor
2	Borderline	Poor	Poor	Poor
3	Poor	Poor	Poor	Poor
4	Poor	Poor	Poor	Poor
Any Major Violations	Poor	Poor	Poor	Poor

- Certain “Major Violations” receive higher consideration for action, and therefore Major Violations such as the following are grounds for immediate suspension from the Program and/or termination of the allowance:
 - Driving under the influence (i.e., DUI, DWI, OUI).
 - Felony conviction in which a vehicle is used.
 - Convicted of the sale, handling, or use of drugs.
 - Failure to stop, report an accident, or comply with law when involved in an accident.
 - Any display of reckless driving, endangerment of others, speed contest/excessive speeding, etc.
 - Driving while a license has been suspended or revoked.
 - Attempting to elude a law enforcement officer.

- Major violations will result in the immediate suspension of driving, and prohibition of use of an **ABC** vehicle whatsoever for a minimum of three years from such violation.

- Because **ABC** Drivers operate vehicles in multiple jurisdictions with different motor vehicle point assessments, **ABC** and its insurer have established a
 - **“Offense System”**; as illustrated in the Motor Vehicle Record Grading Criteria matrix above:

- A Driver's record shall remain "**Acceptable**" or "**Clear**" over a rolling 3-year period
- Drivers with a **Borderline** rating will be reviewed by **ABC**'s Driver Review Committee to determine actions that need to be taken and whether they can continue to drive an **ABC** vehicle. In some instances, the Driver may be allowed to continue driving once they successfully complete a Defensive Driving Course approved by the Company. The cost and time needed to complete the course will be the responsibility of the employee. The review process will include formal counseling of the Driver to specify that any additional moving violations or preventable accident will be grounds for removal from the allowance program and inability to drive an **ABC** vehicle. Additional violations or accidents will also be monitored more frequently than annually to determine if an employee may continue to drive an **ABC** vehicle or receive an allowance.
- **ABC** Drivers will be suspended from driving for a defined duration established by the Driver Review Committee if they attain a **Poor** rating.
- Even if there is no official violation, or a citation is eventually removed, **ABC** and its insurer may count any violation towards the MVR Grading Criteria.
- If a Driver is suspended from driving **ABC** vehicles due to the above criteria, such Driver is also automatically and similarly suspended from the "**ABC** Vehicle Allowance Program" (i.e., driving their personal vehicle for Company business).
- If driving is a requirement for the employee's position within the company, then suspension of driving privileges for Company business may be grounds for termination of employment.
- If a Major Violation is not upheld in a court of law, **ABC** may, at its sole review and discretion, reinstate the employee's driving privileges. Expungement of such convictions by even court sponsored counseling/driver education programs may not be considered valid for purposes of reestablishment of driving privileges.
- Qualified Drivers must report all moving violations (regardless if such occurred while driving for the Company) to **ABC**'s Human Resources Department within five calendar days, upon pleading guilty or being found guilty.
- Employees are specifically prohibited from operating a Company vehicle while under the influence of any controlled substance, alcohol, and/or prescription medication that warns against vehicle operation during use.
- Qualified Drivers are responsible to provide to **ABC**'s Human Resources copies of all police reports, individual accident reports, moving traffic violations, as well as property damage-only reports, within five calendar days of when issued.

Personally - Owned Vehicles:

All employees receiving reimbursement (allowance or mileage) for the use of a personally owned vehicle for business purposes must follow all applicable requirements contained within this policy. During business hours your vehicle is representing **ABC** Corporation and shall be operated and maintained in a professional manner. The financial reimbursement from **ABC** is provided to each driver for use of their vehicle for business purposes and shall be used for items such as:

- Vehicle Maintenance as specified within the owner's manual
- Insurance within required minimum limits (see below)
- Fuel and other fluids
- Any necessary repairs and deductibles
- Traffic violations

Insurance Requirements:

The employee shall provide a copy of the current declaration page or certificate of insurance of their Personal Auto Liability Insurance Policy. Minimum required limits are:

\$250,000/\$500,000/\$100,000 (per person - per accident - per property damage) or a \$500,000 combined single limit. This copy must be provided each policy term upon renewal of such insurance or at the time of any changes in insurance (i.e.: reduction in limits, change in insurance carriers, change in policy terms, etc.).

Failure to follow these requirements for "personally - owned vehicles" will result in the company financial reimbursement being stopped and/or suspended. Only upon satisfactory evidence that the items within this policy are met will the employee receive financial reimbursement for use of their personal vehicle.

Vehicles:

- Drivers have the responsibility to perform daily or regular inspections, timely bring their assigned vehicles to the Shop, or to otherwise maintain their assigned Company-owned vehicles in accordance with **ABC's** published maintenance schedules.
- Personally owned vehicles used for company business shall be maintained per the Owner's manual and manufacturers recommendations.
- Drivers have the responsibility to safely and lawfully operate their assigned Company-owned vehicles, and to also abide by Company Policies.

Other Requirements:

- Only ABC employees who are Qualified Drivers are permitted to operate a Company-owned vehicle. Non-business passengers or use of the vehicle for purposes outside the scope of company business are not permitted.
- All Drivers and approved passengers shall be secured in seat belts and shoulder restraints.
- Air bags and other safety devices shall not be disabled.
- Alcohol, hazardous substances, firearms, explosives, or controlled substances shall not be transported or consumed in Company-owned vehicles.
- Hitchhikers shall not be picked up or transported.
- All loads shall be properly secured.
- All towed equipment shall be properly registered, inspected and connected to appropriate towing equipment with functioning brake and directional signals.
- It is the intention of ABC that Drivers should pull to the side of the road while using a cell phone unless there are emergency circumstances. Even then, Texting or cell phone use is strictly prohibited, unless the entire operation is legally conducted and always in a "Hands Free" mode.
- Drivers are required to comply with all Federal, State, and local laws and regulations concerning vehicle operation.

ABC CORPORATION, INC. FLEET SAFETY PROGRAM DRIVER ACKNOWLEDGEMENT

I acknowledge receiving and I agree to comply with the **ABC** Corporation Fleet Safety Program. I also understand that misuse of a company vehicle will constitute immediate disciplinary action up to and including loss of vehicle, driving privileges, and / or my job.

Please Check one:

Company Vehicle

Personal Vehicle

Print Name: _____

Signature: _____

Business Group: _____

Please return this signed form to (_____).

MVR RELEASE CONSENT FORM

In conjunction with my employment or potential employment at **ABC** Corporation (“the Company”), I, _____ (Print or type Applicant Name), consent to the release of my Motor Vehicle Records (MVR) to the Company. I understand the Company will use these records to evaluate my suitability to fulfill driving duties that may be related to the position I have or am applying for within the Company. I also consent to the review, evaluation, and other use of any MVR I may have provided to the Company for this same purpose. Further, I understand that release of the MVR does not necessarily mean I will be hired for a driving or any other position with the Company.

This consent is given in satisfaction of Public Law 18 USC 2721 et. Seq., “Federal Drivers Privacy Protection Act”, and is intended to constitute “written consent” as required by this Act.

Signed (Applicant) _____

Date: _____

Driver’s License Number: _____

Driver’s License State of Issuance:___

Appendix I

HELPFUL LINKS

Start or review an accountable plan - Journal of Accountancy	https://www.journalofaccountancy.com/issues/2020/feb/employee-expenses-accountable-plan
Popular Apps for Expense Reporting	<ul style="list-style-type: none"> • www.certify.com • www.concur.com • www.rydoo.com • https://use.expensify.com • www.shoeboxed.com • www.expensepoint.com • www.mileiq.com • www.receipt-bank.com • www.waveapps.com • Mobile App - BizXpense Tracker
Link to allowable GSA CONUS per diem rates amounts by location	https://www.gsa.gov/travel/plan-book/per-diem-rates
IRS Publications 15 (Circular E) Employer's Tax Guide	https://www.irs.gov/pub/irs-pdf/p15.pdf
IRS Publication 535 Business Expenses	https://www.irs.gov/pub/irs-pdf/p535.pdf
IRS Publication 5137 Fringe Benefit Guide	https://www.irs.gov/pub/irs-pdf/p5137.pdf
IRS Publication 463 Travel, Gift, and Car Expenses	https://www.irs.gov/pub/irs-pdf/p463.pdf

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