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**United States – IRS  
Provides Notice for 2012-  
2013 Per Diem Rates**

by KPMG LLP's Washington  
National Tax practice,  
Washington, D.C. (KPMG LLP  
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## *flash* International Executive Alert

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The U.S. Internal Revenue Service (IRS) released on September 26, 2012, an advance copy of Notice 2012-63 as the annual notice providing the 2012-2013 special per diem rates for taxpayers to use in substantiating the amount of ordinary and necessary business expenses incurred while traveling away from home.<sup>1</sup> (For coverage of last year's rates see [Flash International Executive Alert 2011-171](#), October 18, 2011).

Notice 2012-63 contains:

- The special transportation industry meal and incidental expenses rates;
- The rate for the incidental expenses-only deduction;
- The rates and lists of high-costs localities for purposes of the high-low substantiation method.

### Background

Over past years, the IRS has issued revenue procedures as an annual update of the rules for determining when the amount of ordinary and necessary business expenses of an employee for lodging, meal, and incidental expenses incurred while traveling away from home were deemed substantiated under Reg. section 1.274-5 when a per diem allowance under a reimbursement or other expense allowance arrangement was provided.

These annual revenue procedures also provided an optional method for employees and self-employed individuals who were not reimbursed to use in computing the deductible costs paid or incurred for business meals and incidental expenses while traveling away from home.

In 2011, the IRS announced that it intended to discontinue the high-low substantiation method. In response to comments from a number of taxpayers that they in fact used the high-low substantiation method, the IRS issued Rev. Proc. 2011-47 stating that it would publish an annual notice that provides the special per diem rates (with the list of high-cost localities to be updated only as necessary). Rev. Proc. 2011-47 also provides the rules for using a per diem rate to substantiate the amount of ordinary and necessary business expenses paid or incurred while traveling away from home.

### Notice 2012-63

Notice 2012-63 provides the rates and the list of high-cost localities (for October 1, 2012 to September 30, 2013) and also states that taxpayers using the rates and list of high-cost localities must comply with Rev. Proc. 2011-47.

Notice 2012-63 is effective for per diem allowances for lodging, meal, and incidental expenses, or for meal and incidental expenses only, that are paid to any employee on or after October 1, 2012, for travel away from home on or after October 1, 2012. For purposes of computing the amount allowable as a deduction for travel away from home, Notice 2012-63 is effective for meal and incidental expenses or for incidental expenses only paid or incurred on or after October 1, 2012.

*Footnote:*

1 A copy of Notice 2012-63 is made available at:

<http://www.us.kpmg.com/microsite/taxnewsflash/2012/Sep/n-12-63.pdf> .

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