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Mark A. Kaiser
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MEMORANDUM

TO: State Agencies
FROM: OA/Accounting
DATE: December 14, 2010
RE: State Travel Policy – Meals

As many of you know, based on recently received information on IRS policy, questions have arisen concerning the state's meal reimbursement without an overnight stay and meal per diems with an overnight stay. After detailed research to better understand the IRS regulations, the Office of Administration is implementing changes relating to meal expense reimbursement in the State Travel Policy.

Statewide Meal Per Diem Rates

On January 1, 2011, new statewide meal per diem rates become effective. The new rates will be \$2 per meal below the current state meal per diem listed at <http://oa.mo.gov/accounting/state-employees/travel-portal-information/state-meals-diem/meal-diem-novjune-2011>. The new statewide meal per diem will not change automatically with any change to the federal rate. Notification will be given when the statewide meal per diem amount changes. Agencies have the option of:

- 1) pay the statewide meal per diem,
- 2) pay a meal per diem that is lower than the statewide meal per diem, or
- 3) reimburse the employee for the actual meal expense incurred, not to exceed the statewide meal per diem.

Options #2 and #3 have requirements described below. If an agency chooses a meal reimbursement plan other than the statewide meal per diem, it is required to enter into a Memorandum of Understanding (MOU) with OA, as further discussed below.

Meal Reimbursement with No Overnight Lodging

The State Travel Policy will continue to allow the payment of a meal per diem or reimbursement of actual meal expenses when no overnight lodging is incurred (“12 Hour Meal”). Either the statewide meal per diem or a lower departmental meal per diem can be used. Reimbursement of actual meal expenses cannot exceed the statewide meal per diem. The State’s policy on meal reimbursement without overnight lodging does not require receipts from the employee.

All 12 Hour Meals are reportable as taxable income (subject to applicable tax withholding) to the employee. All 12 Hour Meals must be coded to one of the new expenditure object codes (2110 – In-State Meals without Overnight Lodging or 2125 – Out-of-State Meals without Overnight Lodging) to facilitate required IRS reporting. The Employee Expense Report will also be modified to delineate the 12 Hour Meals. Because of this change, OA is requiring the agencies to input “taxable income” in the SAM II HR system on a monthly basis. This will prevent an employee’s December check from being zeroed out for withholdings from the previous 11 months. This change to the 12 Hour Meal policy is effective January 1, 2011.

Meal Reimbursement with Overnight Lodging

Agencies have 3 options for reimbursement of meals with overnight lodging. For purposes of the 3 options, “agencies” can be defined as divisions within the department.

Option 1. Agencies can pay the statewide meal per diem. This payment is not reportable as taxable income to the employee and no receipts are required by the state agency.

Option 2. Agencies can adopt and pay a departmental meal per diem that is lower than the statewide meal per diem. This payment is not reportable as taxable income to the employee and no receipts are required by the state agency. All employees of the agency must receive the same per diem rates.

Option 3. Agencies can reimburse employees for actual meal expenses incurred. Any actual reimbursement cannot exceed the statewide meal per diem. If choosing this option, the agency must require receipts that substantiate the reimbursement to be in compliance with IRS regulations. Also, if choosing this option, it must apply to all employees within the agency. This payment is not reportable as taxable income to the employee.

Action Required by Agencies

To meet IRS requirements, the agency must enter into a Memorandum of Understanding with OA if choosing a meal reimbursement plan other than the statewide meal per diem. This includes both meals with and without overnight lodging. There will be a standard one page form for this MOU. Please contact Mark Kaiser mark.a.kaiser@oa.mo.gov in the Division of Accounting to set up a specific departmental meal reimbursement plan.

Keep in mind that when opting for a “per diem” (either the statewide rate or a lower departmental rate), this is a fixed amount paid to the employees regardless of their actual expense. For agencies opting to reimburse actual meal expenses, the statewide meal per diem is the maximum amount for the reimbursement.

Employee Expense Reports must now be filed within 60 days instead of the current 90 days. This again is for compliance with IRS requirements.

All agencies are required to submit in writing their plans for meal reimbursement to the Division of Accounting by January 14, 2011. Changes to the published State Travel Policy will occur at a later date. This memo supersedes the affected sections of the current State Travel Policy. Please inform your employees of these changes. Any questions concerning this memo should be directed to Mark A. Kaiser.