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Hot Topic: Changes in Federal Reimbursement Rates for Travel

Municipal Technical Advisory Service

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Changes in Federal Reimbursement Rates for Travel

Hot Topic #63

Municipal Technical Advisory Service

January 12, 2001

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The Municipal Technical Advisory Service (MTAS) is a state-wide agency of the University of Tennessee Institute for Public Service, and helps municipalities in Tennessee with technical consulting, training and field services. Through MTAS cities and towns are supported by and have available technical experts dedicated solely to their service.

MTAS links the expertise of Tennessee colleges and universities with cities and towns to provide timely and valuable information and assistance on issues of critical importance.

THE UNIVERSITY of TENNESSEE 
MUNICIPAL TECHNICAL ADVISORY SERVICE

In cooperation with the Tennessee Municipal League

Changes in Federal Reimbursement Rates for Travel

Federal Rates

For those cities that elected to reimburse for travel using the federal reimbursement rates, the federal government has increased the vehicle-cents-per-mile reimbursement rate for 2001 to 34.5 cents per mile. This increase became effective Jan. 1, 2001, for all business miles driven.

The IRS states the primary reason for increasing the mileage rate is due to the jump in gasoline prices. Cities may wish to update their travel policies regarding mileage reimbursement. Remember that a city can set the rate at any amount up to the IRS standard mileage rate for business purposes. Any amount over the IRS rate would become taxable income to the employee or official.

In addition to the increase in the mileage reimbursement rate, the federal rate for lodging increased in two nonstandard locations in Tennessee. Chattanooga's lodging increased by \$1 to \$56, and Williamson County's increased by \$2 to \$59 per night. In Gatlinburg, the off-season rate *decreased* by \$4 to \$61.

The standard federal reimbursement rate for lodging remained the same at \$55 per night. These standard rates apply everywhere in the continental United States except for selected nonstandard locations where higher rates apply. The standard federal reimbursement rate for meals and incidentals (M&I) remains \$30 per day.

Please see the chart on the following page for a breakdown of those nonstandard locations in Tennessee and the respective lodging and M&I reimbursement rates.

City	County	Lodging (Room rate only. No taxes included.)	M&I	Total
Alcoa	Blount (except Townsend)	\$59	\$30	\$89
Chattanooga	Hamilton	\$56	\$30	\$86
Gatlinburg (May 1 - Oct. 31) (Nov. 1 - April 30)	Sevier	\$80 \$61	\$38 \$38	\$118 \$99
Memphis	Shelby	\$70	\$38	\$108
Murfreesboro	Rutherford	\$57	\$30	\$87
Nashville	Davidson	\$72	\$42	\$114
Townsend	City limits only	\$63	\$34	\$97
Williamson County	Williamson	\$59	\$30	\$89

These per diem rates apply to all locations within or entirely surrounded by the corporate limits of the key city

as well as the boundaries of the county, including other municipalities within the county.

Federal reimbursement rates for out-of-state travel vary from state to state. A complete listing of federal per diem rates are on the Internet at: <http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/>

State Rates

For those cities that elected to reimburse travel expenses using the state rates, the state announced last spring an increase in the mileage reimbursement rate to 32 cents a mile effective March 1, 2000. This increase was intended to be temporary to ease the financial burden of official travel due to the steep rise in gasoline prices. The rate is expected to return to 28 cents a mile once gasoline prices drop.

Please review your city's travel policy to determine the applicable reimbursement rate. If your city's policy states that the city will reimburse employees and officials based the "federal" or "state" rates, then the increases discussed above apply automatically. If, however, your city's policy establishes specific reimbursement amounts instead of relying on the prevailing federal or state rates, you will need to amend the travel policy if the governing body wishes to increase the mileage reimbursement or per diem rates.

For more information, please contact the MTAS management consultant or finance consultant in your area.