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## Hot Topic: Changes in Federal Reimbursement Rates for Travel

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## Changes in Federal Reimbursement Rates for Travel

By Dick Phebus  
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### Federal Rates

Tennessee cities that elect to reimburse for travel using the federal reimbursement rates should note that the federal government has increased the vehicle-cents-per-mile reimbursement rate for 2002 to 36.5 cents per mile. This is an increase of 2 cents and will become effective Jan. 1, 2002, for all business miles driven.

According to the IRS, the primary reason for increasing the mileage rate is the jump in gasoline prices and consequent increased costs in vehicle operation. 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 four "nonstandard" locations in Tennessee. Alcoa's lodging increased by \$4 to \$63, Gatlinburg's off-seasonal rate increase by \$9 to \$70, Nashville's rate increased by \$10 to \$82, and Williamson County's rate increased by \$1 to \$60. At the same time, Gatlinburg's peak-seasonal rate decreased by \$2 to \$78, and Chattanooga was one of five locations nationally that dropped into the Standard CONUS (Continental United States – 48 contiguous states) rate of \$55 lodging and \$30 meals and incidentals.

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. These changes took effect Oct. 1, 2001 for the federal FY 2002.

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	M & I	Total
Alcoa	Blount (except Townsend)	\$63	\$34	\$34
Gatlinburg (May 1-Oct. 31) (Nov 1-Apr. 30)	Sevier	\$78 \$70	\$38 \$38	\$116 \$108
Memphis	Shelby	\$70	\$38	\$108
Murfreesboro	Rutherford	\$57	\$30	\$87
Nashville	Davidson	\$82	\$42	\$124
Townsend	City Limits Only	\$63	\$34	\$97
Williamson County	Williamson County	\$60	\$30	\$90

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/perd02d.html>

### **State Rates**

For those cities that elected to reimburse travel expenses using the state rates, the state announced an increase in the mileage reimbursement rate to 32 cents a mile effective March 1, 2000. This increase was intended to be temporary. However, the rate has not changed and will remain at 32 cents per mile until modified by the Tennessee Department of Finance & Administration. The state reimbursement policy also provides for lodging rate and meals and incidentals maximum amounts. The amounts can be found in the Tennessee Comprehensive Travel Regulations at <http://www.state.tn.us/finance/act/policy8.pdf>

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 changes 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.

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