SECTION 1. PURPOSE

This annual notice provides the 2015-2016 special per diem rates for taxpayers to use in substantiating the amount of ordinary and necessary business expenses incurred while traveling away from home, specifically (1) the special transportation industry meal and incidental expenses (M&IE) rates, (2) the rate for the incidental expenses only deduction, and (3) the rates and list of high-cost localities for purposes of the high-low substantiation method.

SECTION 2. BACKGROUND


Section 3.02(3) of Rev. Proc. 2011-47 provides that the term “incidental expenses” has the same meaning as in the Federal Travel Regulations, 41 C.F.R. 300-3.1, and that future changes to the definition of incidental expenses in the Federal Travel Regulations would be announced in the annual per diem notice. Subsequent to
the publication of Rev. Proc. 2011-47, the General Services Administration published final regulations revising the definition of incidental expenses under the Federal Travel Regulations to include only fees and tips given to porters, baggage carriers, hotel staff, and 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. Accordingly, taxpayers using the per diem rates may separately deduct or be reimbursed for transportation and mailing expenses.

SECTION 3. SPECIAL M&IE RATES FOR TRANSPORTATION INDUSTRY

The special M&IE rates for taxpayers in the transportation industry are $63 for any locality of travel in the continental United States (CONUS) and $68 for any locality of travel outside the continental United States (OCONUS). See section 4.04 of Rev. Proc. 2011-47.

SECTION 4. RATE FOR INCIDENTAL EXPENSES ONLY DEDUCTION

The rate for any CONUS or OCONUS locality of travel for the incidental expenses only deduction is $5 per day. See section 4.05 of Rev. Proc. 2011-47.

SECTION 5. HIGH-LOW SUBSTANTIATION METHOD

1. Annual high-low rates. For purposes of the high-low substantiation method, the per diem rates in lieu of the rates described in Notice 2014-57 (the per diem substantiation method) are $275 for travel to any high-cost locality and $185 for travel to any other locality within CONUS. The amount of the $275 high rate and $185 low rate that is treated as paid for meals for purposes of § 274(n) is $68 for travel to any high-cost locality and $57 for travel to any other locality within CONUS. See section 5.02 of
Rev. Proc. 2011-47. The per diem rates in lieu of the rates described in Notice 2014-57 (the meal and incidental expenses only substantiation method) are $68 for travel to any high-cost locality and $57 for travel to any other locality within CONUS.

2. High-cost localities. The following localities have a federal per diem rate of $230 or more, and are high-cost localities for all of the calendar year or the portion of the calendar year specified in parentheses under the key city name.

<table>
<thead>
<tr>
<th>Key city</th>
<th>County or other defined location</th>
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<tbody>
<tr>
<td>California</td>
<td></td>
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<tr>
<td>Mammoth Lakes</td>
<td>Mono</td>
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<tr>
<td>(December 1-February 29)</td>
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<tr>
<td>Monterey</td>
<td>Monterey</td>
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<tr>
<td>(July 1-August 31)</td>
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<tr>
<td>Napa</td>
<td>Napa</td>
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<tr>
<td>(October 1-October 31 and May 1-September 30)</td>
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<tr>
<td>San Francisco</td>
<td>San Francisco</td>
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<tr>
<td>San Mateo/Foster City/Belmont</td>
<td>San Mateo</td>
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<tr>
<td>Santa Barbara</td>
<td>Santa Barbara</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>City limits of Santa Monica</td>
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<tr>
<td>Sunnyvale/Palo Alto/San Jose</td>
<td>Santa Clara</td>
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<tr>
<td>Colorado</td>
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<tr>
<td>Aspen</td>
<td>Pitkin</td>
</tr>
<tr>
<td>(December 1-March 31 and June 1-August 31)</td>
<td>Denver, Adams, Arapahoe, and Jefferson Grand</td>
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<tr>
<td>Denver/Aurora</td>
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<tr>
<td>Grand Lake</td>
<td>Summit</td>
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<tr>
<td>(December 1-March 31)</td>
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<tr>
<td>Silverthorne/Breckenridge</td>
<td>Routt</td>
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<tr>
<td>(December 1-March 31)</td>
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<tr>
<td>Steamboat Springs</td>
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<td>(December 1-March 31)</td>
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<tr>
<td>Telluride</td>
<td>San Miguel</td>
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<tr>
<td>(December 1-March 31 and June 1-August 31)</td>
<td>Eagle</td>
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<tr>
<td>Vail</td>
<td></td>
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<tr>
<td>(December 1-March 31 and July 1-August 31)</td>
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<tr>
<td>District of Columbia</td>
<td></td>
</tr>
<tr>
<td>Washington D.C. (also the cities of Alexandria, Falls Church, and Fairfax, and the</td>
<td></td>
</tr>
</tbody>
</table>
counties of Arlington and Fairfax, in Virginia; and the counties of Montgomery and Prince George's in Maryland) (See also Maryland and Virginia)

Florida
Boca Raton/Delray Beach/Jupiter, Palm Beach and Hendry (January 1-April 30)
Fort Lauderdale, Broward (January 1-March 31)
Fort Walton Beach/De Funiak Springs, Okaloosa and Walton (June 1-July 31)
Key West, Monroe
Miami, Miami-Dade (December 1-March 31)
Naples, Collier (January 1-April 30)

Illinois
Chicago, Cook and Lake (October 1-November 30 and March 1-September 30)

Maine
Bar Harbor, Hancock (July 1-August 31)

Maryland
Ocean City, Worcester (June 1-August 31)
Washington, DC Metro Area, Montgomery and Prince George's

Massachusetts
Boston/Cambridge, Suffolk, City of Cambridge
Falmouth, City limits of Falmouth (July 1-August 31)
Martha's Vineyard, Dukes (June 1-September 30)
Nantucket, Nantucket (October 1-December 31 and June 1-September 30)

Michigan
Traverse City/Leland, Grand Traverse/Leelanau (July 1-August 31)

New York
Lake Placid, Essex (July 1-August 31)
New York City, Bronx, Kings, New York, Queens,
Saratoga Springs/Schenectady and Richmond
(July 1-August 31)

Pennsylvania
Hershey
(June 1-August 31)
Philadelphia
(October 1-November 30, March 1-June 30, and September 1-September 30)
Philadelphia

Rhode Island
Jamestown/Middletown/Newport Newport
(June 1-August 31)

South Carolina
Charleston Charleston, Berkeley and Dorchester
(October 1-November 30 and March 1-September 30)

Texas
Midland

Utah
Park City Summit
(December 1-March 31)

Virginia
Virginia Beach City of Virginia Beach
(June 1-August 31)
Wallops Island Accomack
(July 1-August 31)
Washington, DC Metro Area Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax

Washington
Seattle King

Wyoming
Jackson/Pinedale Teton and Sublette
(June 1-September 30)

3. Changes in high-cost localities. The list of high-cost localities in this notice differs from the list of high-cost localities in section 5 of Notice 2014-57.
a. The following localities have been added to the list of high-cost localities:
   Mammoth Lakes, California; Grand Lake, Colorado; Silverthorne/Breckenridge, Colorado; Traverse City/Leland, Michigan; Hershey, Pennsylvania; Wallops Island, Virginia.

b. The following localities have changed the portion of the year in which they are high-cost localities: Napa, California; Telluride, Colorado; Miami, Florida; Martha’s Vineyard, Massachusetts; Nantucket, Massachusetts; Jamestown/Middletown/Newport, Rhode Island; Charleston, South Carolina; Jackson/Pinedale, Wyoming.

c. The following localities have been removed from the list of high-cost localities: Sedona, Arizona; Santa Cruz, California; New Orleans, Louisiana; Baltimore City, Maryland; Cambridge/St. Michaels, Maryland; Glendive/Sidney, Montana; Conway, New Hampshire; Glens Falls, New York; Tarrytown/White Plains/New Rochelle, New York; Kill Devil, North Carolina; Williston, North Carolina.

SECTION 6. EFFECTIVE DATE

This notice 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, 2015, for travel away from home on or after October 1, 2015. For purposes of computing the amount allowable as a deduction for travel away from home, this notice is effective for meal and incidental expenses or for incidental expenses only paid or incurred on or after October 1, 2015. See sections 4.06 and 5.04 of Rev. Proc. 2011-47 for transition rules for the last 3 months of calendar year 2015.

SECTION 7. EFFECT ON OTHER DOCUMENTS
Notice 2014-57 is superseded.

DRAFTING INFORMATION

The principal author of this notice is Kari Fisher of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice contact Kari Fisher at (202) 317-7007 (not a toll-free call).