



## Per Diem Pay Policy

### Definition

Per Diem Pay is a daily allowance meant to help assist the employee in reimbursement of meals and lodging expenses incurred by an employee on the employer's behalf while away from the employees' permanent residence.

### Eligibility/Calculation

**For Salary and Administrative Personnel:** Per Diem pay is a discretionary payment made to an employee on an individual basis. This amount is based upon US General Service Administration CONUS rates.

**For Hourly Union Personnel:** Per Diem pay for hourly union employees is based upon the employee's union agreement or on CONUS rates for those union employees receiving a weekly per diem rate.

### Taxability

Standard Per Diem Pay will be based upon calculations as outlined above. Any Per Diem Pay paid to employees in excess of the standard rates will be considered taxable income (compensation).

Per Diem Pay will be treated as taxable income (compensation) to the employee if any of the following conditions are met:

- If the employee is residing at their permanent residence while working at the jobsite and no overnight stay is required. Jobsite is defined by the field office trailer location where the contractor is located or our jobsite yard address.
- If an assignment to a jobsite is expected to last more than one year, Per Diem Pay will be treated as taxable income (compensation) beginning with the date the employer determines the assignment will exceed one year.
- If an employee ends up staying longer than one year at the same jobsite due to unforeseen conditions, Per Diem Pay will be taxable at the one-year period and beyond if no substantial break in service occurs (over 30 days). For Per Diem Pay purposes, layoffs in which the employee collects unemployment are not considered breaks in service.
- If the amount paid exceeds the allowable daily rate per IRS publications; the balance will be treated as taxable income (compensation).

If duplicate expenses are incurred, the amount above the daily allowable limit is still considered taxable per IRS guidelines.

## Procedure

You must fall under the definition for Per Diem Pay and follow the guidelines below.

1. Per Diem Pay is paid only if you are eligible and if it is a part of your agreement when hired.
2. You must not be commuting from your permanent residence when working at the jobsite.
3. Job assignment must be temporary and not more than one year in duration.
4. Per Diem Pay is meant to cover costs of meals and lodging while temporarily assigned work away from your home. It is **NOT** meant to be a part of wages.
5. If your lodging and food are provided by the company, your Per Diem Pay will be considered taxable income.
6. All employees will be provided with this Per Diem Pay Policy when completing their employment application.
7. Any address changes that affect per diem status will require the home office to be notified of this.

**If you do not meet all the guidelines under the procedure and definition listed above, your per diem received will be considered additional compensable income and will be taxable to you.**

## Summary

For Administrative and Salary employees, Per Diem Pay rates are assigned upon hire and recorded in your employment application. If the Per Diem Pay rate is to be adjusted, a wage change form is to be filled out by your supervisor and will be discussed with you prior to a change or transfer. For hourly union employees, rates are assigned based upon the employee's applicable union agreement. Any changes to rates must be communicated through the employee's union. Questions regarding Per Diem Pay rates and requirements should be directed to your immediate supervisor in writing.

Excerpt from IRS regulations:

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*Under section 162 (a)(2) of the Code, as amended by the Energy Policy Act of 1992, if employment away from home in a single location is realistically expected to last (and does in fact last) for 1 year or less, the employment is temporary in the absence of facts and circumstances indicating otherwise. If employment away from home in a single location is realistically expected to last for more than 1 year or there is no realistic expectation that the employment will last for 1 year or less, the employment is indefinite, regardless of whether it actually exceeds 1 year. If employment away from home in a single location initially is realistically expected to last for 1 year or less, but at some later date the employment is realistically expected to exceed 1 year, that employment will be treated as temporary (in the absence of facts and circumstances indicating otherwise) until the date that the taxpayer's realistic expectation changes.*