

IMPORTANT TRAVEL CHANGES, CLARIFICATIONS AND UPDATES

Do You Have Any Outstanding Travel Claims?

Effective January 1, 2008, the State of Arizona will be issuing changes to the Statewide Travel Policy and implementing NEW processing of Travel Claims. Some of these changes include:



1. Taxation of meals reimbursed without an overnight stay, due to IRS regulations.
2. Payment of Employee Travel Claims will now go through the Human Resources Information Solution (HRIS) system and be paid in your bi-weekly paycheck.
3. Mileage qualification for lodging/meal reimbursements is increasing from 35 miles to 50 miles.
4. Revised Travel Claim form (GAO-503EZ).

Please refer to the State of Arizona Accounting Manual (SAAM), Travel section (available at www.gao.state.az.us) for complete changes and details. To avoid having your travel claims processed under the NEW policies, YOU must submit and receive reimbursement for the claim prior to December 31, 2007.

****Please contact YOUR Agency Travel Coordinators with Questions !**

Frequently Asked Questions

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General	
1. Who do these travel reimbursement changes impact?	These changes impact all travelers on State business. A traveler is considered someone who is an employee or officer of the State. To be defined as a officer of the state, the person must be participating on a board, council, commission, or similar official entity created by law, the Governor or by an Agency Head with the proper authorization to create such an entity. Other designations are not authorized to receive travel reimbursements under State Statute and the State travel policy. .
2. What travel reimbursements will become taxable on January 1, 2008?	For the State of Arizona to be in compliance with IRS Regulations, meal reimbursements will be taxable income to the traveler only when there is no overnight stay. Rest periods will be defined on a case by case basis when there is no commercial lodging (i.e., hotel stay). You will not be taxed on meals if you have an overnight stay. You will not be taxed on any other type of travel reimbursements (e.g., Mileage, Lodging, Transportation, etc).
3. What is defined as part of an “overnight stay”?	The overnight stay includes the day before and the day after the trip that includes the overnight stay. Meals incurred on these days will not be taxed as long as they are included in the trip with the overnight stay. ,
4. Why are travel reimbursements being included in my pay check?	For reimbursements of meals with no overnight stay to appear on our W-2s as taxable income, the payment must go through the State’s payroll system (HRIS). Therefore, to prevent confusion and ensure consistency in travel payments, all travel reimbursements to employees and officers of the State will be paid through HRIS. For those employees with direct deposit, this single payment will also simplify your banking activities.
5. Will I be able to identify the travel reimbursement amounts on my pay check stub?	Yes. There will be two new lines in the “Pay” section of your pay check stub. One of the new lines will identify those reimbursements that are taxable (i.e., meal reimbursements with no overnight stay) and the other line will identify the amount for all other travel reimbursements (non-taxable).
6. Why did the reimbursement threshold for lodging/meal reimbursements increase from 35 miles to 50 miles?	The 35 mile travel distance was established more than two decades ago to define travel status for meals and lodging. Since that time, the distance considered typical for commuting and supporting local service areas has grown substantially. As a result, the travel distance has been adjusted to keep pace with the norm for these services. In addition, there are IRS regulations that also use the 50 miles threshold in their calculation.
7. Where can I go to get additional information regarding these travel reimbursement changes?	You can begin by talking to your Agency Travel Coordinator. If they are unable to answer your question, you can visit the GAO website at http://www.gao.state.az.us . You can always click on the Contact Us link and send an email to the GAO. Finally we recommend that all Travelers attend Travel Training. You can find the link to register for this training from the GAO Travel link.
8. If my travel is being paid for by an entity other than the State of Arizona, do I still have to follow State Travel Policy?	Yes. As a State Employee, you must always follow the State Travel Policy. Employee travel, reimbursed by the State, is still to be conducted according to the State Travel Policy regardless of funding sources. The only exception falls with agencies that are not required (by law) to follow State Travel Policy.

<p>9. What happens if my travel is interrupted or changed due to personal issues?</p>
<p>All costs incurred from indirect or interrupted travel itineraries due to personal needs will not be a reimbursable expense. For example, a traveler on state business decides last minute to spend an additional night in Chicago; this change requires that he/she pay a change fee with the airlines to move the ticket to the next day. Since this to change was a personal decision by the traveler, he/she would then be responsible for that charge.</p>
<p>10. Are there changes in the procedures for submitting a travel reimbursement?</p>
<p>Yes. You will need to complete the NEW GAO-503EZ form; included in your submission will be a certification that these charges are actual expenses. The form must be submitted to your supervisor for review and approval. The form should then go to your agency accounting representative for certification that the funds exist and for entry into the HRIS system. If you will be submitting more than 7 lines of reimbursement, you will need to complete a GAO-503AEZ form. If the forms are completed electronically, you are asked to fill out the GAO-503AEZ first, then transfer the totals to the GAO-503EZ.</p>
<p>11. Isn't taxing travel reimbursements double taxation?</p>
<p>It's actually not double taxation. In this situation there are two different transactions being processed. Each of these transactions is subject to a different tax.</p> <ul style="list-style-type: none"> • The first transaction is the purchase of the meal. During this transaction you are charged a sales tax (or transaction privilege) as part of the consumption of the meal. After the meal, if the meal is eligible, you will submit a claim to the State for reimbursement of the meal. Your claim will include all of the charges for the meal (i.e., sales tax, tip) up to the max allowed for the meal. • When the reimbursement is paid to you, it includes the sales tax you were charged on the meal. This is where the second transaction occurs. If the meal was consumed without an overnight stay, but on official state business it is considered a part of a taxable incentive plan to you. So, as part of your reimbursement, you will be charged an income tax on the amount of the meal. Due to IRS regulations, you are required to pay the taxes associated with this meal.
<p>12. What guidance should I follow in situations where the travel policy does not directly cover my situation?</p>
<p>In all situations, you should make decisions based on the most economical costs for the State. The State reimburses employees for certain costs related to travel that are fair and reasonable. As a traveler you should choose those things (lodging, transportation, etc.) in a manner that saves the State money whenever possible. If policy does not specifically define your current situation, you should use caution when making travel arrangements or spending and consider all alternatives in case you are not reimbursed for the expense.</p>
<p>Meal Reimbursements</p>
<p>13. Does the State of Arizona reimburse for Meals on a Per Diem?</p>
<p>No. The State does not have a Per Diem. As an employee in travel status you are reimbursed for actual expenses paid for your meals up to the allowed maximum. Claiming more than the actual amount spent is considered inappropriate and could result in discipline up to and including termination.</p>

14. Why are reimbursements for meals without an overnight stay taxable?

The Internal Revenue Service (IRS) audited the State of Arizona and determined that the State's reimbursement policy for meals when there is no overnight stay was out of compliance with federal tax rules. The IRS mandates that all businesses report meal reimbursements with no overnight stay as a taxable employee benefit. As a result, the State of Arizona must begin taxing these meals on January 1, 2008. The IRS' guideline for same-day meals can be seen on page 18 of their Fringe Benefits Guide. You can locate the guide by clicking on this link http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf or by visiting the IRS website at <http://www.irs.gov> then performing the following:

- Click on the Government Entities link,
- Click on the Federal, State, & Local Gov'ts Link,
- Click on the FSLG Toolkit, and
- Click on FSLG Taxable Fringe Benefit Guide link.

15. What is the new formula for determining meal reimbursement qualifications?

Meal reimbursement qualifications will be based on the following matrix:

- a. Six hours in travel status – one meal
- b. Twelve hours in travel status – two meals
- c. Eighteen or more hours in travel status – three meals
- d. Meal cut off hours are as follows:

Travel Status Hours	Meal Consume Time	Breakfast	Lunch	Dinner
At least 6	12:00 am – 10:00 am	Yes	No	No
At least 6	10:01 am – 4:00 pm	No	Yes	No
At least 6	4:01 pm – 11:59 pm	No	No	Yes
At least 12	12:00 am – 4:00 pm	Yes	Yes	No
At least 12	10:01 am – 11:59 pm	No	Yes	Yes
At least 12	4:00 pm – 10:00 am	Yes	No	Yes
At least 18	12:00 am – 11:59 pm	Yes	Yes	Yes

16. Will I be required to provide receipts for meal reimbursements?

Although receipts will not generally be required for meal reimbursements, agencies and/or the General Accounting Office may require a traveler to provide receipts.

17. Can I minimize the tax implications of the meal reimbursements before January 1?

Yes. You can submit your travel claims containing same-day meals right away. If you get your completed claim submitted correctly and reimbursed by December 31, 2007, you will not be taxed on meal reimbursements with no overnight stay.

18. What is included in the meal reimbursement maximum amount?

The meal reimbursement maximum amount includes all food, tips (gratuities – amounts that are reasonable and customary, typically 15-20%), travel to the meal (i.e., taxi, shuttle) and fees charged by the restaurant. **Remember:** The State does not reimburse for alcoholic beverages. If these are purchased as part of the meal, the amount (including taxes, fees, tips related to the alcohol) must be removed before the claim is submitted for reimbursement.

19. Will meal reimbursements be counted as part of my salary when computing my retirement benefits?

No. Retirement will not be withheld from meal reimbursements and therefore it will not be used in the retirement benefit calculation.

Mileage Reimbursements

20. Is my travel mileage reimbursement taxable?

No. There will be no change to your mileage reimbursement. Mileage reimbursements will not be included in your taxable income.

21. Does this mean I am only eligible for mileage reimbursement after traveling 50 miles?
No. There are no changes to mileage reimbursement criteria. The 50 mile requirement only pertains to the qualification to be eligible for meals and lodging.
Lodging
22. What clarifications have been made to the calculation of the lodging rates?
Mandatory lodging charges that are not optional (i.e., parking, resort fees, etc) are considered part of the maximum lodging rate. These charges are added at the discretion of the facility and not required by law. This clarification was added by the GAO to clear up any misunderstanding regarding the calculation of lodging rates. It is important that travelers take ownership over planning State funded trips, and always make decisions in the best interest of the State. Travelers are encouraged to call ahead to prospective lodging facilities to look for these hidden charges. If the charges exist, and the rate will put you over the maximum for that area, you are encouraged to consider other facilities. If you choose to stay at a facility that adds on these extra fees, you will be responsible for all charges over the maximum.
23. What changes will be made to the lodging rates?
The rates for out-of-country travel will not be changed. Those rates coincide with the Federal Government rates. For travel within the US, Alaska and Hawaii, it is up to the Joint Legislative Budget Committee (JLBC) to approve all rate changes. To changes the rates, the General Accounting Office (GAO) must submit recommendations to the JLBC. The rates are reviewed and then either approved or denied by JLBC. This process is done on a yearly basis. The GAO will be submitting rate changes to JLBC in December. New rates become effective from the day they are approved by JLBC. Please watch the GAO website for updates on lodging rates.
Transportation (Airfare, Taxi, Buses, etc)
24. What is the State of Arizona's reimbursement level of service for commercial airfare?
Reimbursement for commercial airfare will be at the most economical level for the State. In most cases this will be the "Coach" level of service. Special accommodations for physical needs or disabilities will be addressed on a case-by-case basis. The Department of Administration, General Accounting Office, must approve all First or Business class level of service. If you choose to fly these levels, the difference between coach and these levels IS NOT reimbursable.
25. What types of expenses are considered transportation?
Transportation expenses may include charges for airfare, car rental, taxi, buses, ferries, toll roads, and trains. Reimbursements for transportation may vary depending on different scenarios. For example, if you are paying for a rental car it is included in your transportation expenses, even when it is used to drive to dinner. Whereas, if you are staying at a hotel that has a restaurant and you choose to take a taxi to go somewhere else for dinner, the cost of that transportation is then included as part of your meal expenses rather than a transportation expense. If at any time, the expense for these items is incurred for personal reasons (i.e., site seeing) then it is not a reimbursable expense.
26. What is included in a reimbursement for a taxi?
The reimbursement will include the fare and all tips. When tipping for a taxi, you should include what is reasonable and customary. If traveling with bags, the tipping amount is typically \$1.00 per bag. If travelling without a bag, the amount should be \$1.00 – 2.00 dollars. Any amount that is over what is reasonable and customary IS NOT reimbursable.
27. Does the State reimburse for curb side check-in fees at the airport?
No. You can check in at the counter inside the airport for no cost, so the State of Arizona does not reimburse for curb-side check-in fees.
28. When should a rental car OR fleet car be used to travel on State business rather than using a personal vehicle?
If you will be travelling over 100 miles one way, it is recommended that a rental car or vehicle from the State fleet be used. The reason is that in these cases, it is more economical for the State to use these cars with unlimited mileage, rather than paying the high price to reimburse for mileage. In addition, this limits the wear and tear placed on personal vehicles.