



Allied Travel Benefit Tax Rules Frequently Asked Tax Questions

1. What are the requirements for receiving travel benefits (meal per diems, housing, and transportation)?

In order to receive travel benefits, we must expect that the traveler will incur travel costs and their work assignment must **not be** within commuting distance of their tax home.

2. What are the requirements to qualify for *tax-free treatment* of travel benefits?

There are three main tax rules that must be met for these travel benefits to be treated as nontaxable compensation.

- The traveler **must have a permanent tax home**.
- The assignment **must not be within commuting distance of the permanent tax home**.
- The assignment including extensions and other assignments in the same area **may not extend beyond one year**. The first rule is complex and can be quite subjective depending on the traveler's facts and circumstances. More detailed information for all three rules is available in the *Employment Contract Package* and at www.CompHealth.com.

3. What are the consequences if one or more of these rules are *not* met?

If the traveler does not have a permanent tax home, all travel benefits must be treated as taxable compensation from the beginning of the assignment. The taxable compensation would include all meal and incidental per diems, housing stipends or **Company-paid housing costs**, and mileage reimbursements and other transportation costs. This compensation would be subject to applicable payroll tax withholding which could approximate 35-40 percent of the travel benefits. If the traveler maintains a permanent tax home and the **assignment is within commuting distance** of that tax home, no travel benefits will be paid because it is not reasonable to believe these costs will be incurred. If the **one-year limit** rule is failed, **all** of the travel benefits must be treated as taxable compensation **as soon as it becomes expected or known** that the one-year limit will be exceeded. Generally, it is considered *known* at the time of the signing of the assignment extension that will make the total length of the assignment (plus extensions) beyond one year. The taxable benefit treatment goes into effect on such signing date and would continue through the remainder of the extended assignment.

4. When must the *Tax Home and One-Year Limit Representation* form be completed?

The *Tax Home and One-Year Limit Representation* form must be completed prior to commencement of the traveler's first assignment and annually thereafter. The form should also be completed whenever there is a change in the traveler's tax home status or it becomes expected the one-year limitation will be exceeded. The traveler should retain the *Tax Home Determination* worksheet for their tax files.

5. Who makes the final determination on whether the traveler has a permanent tax home?

Because the determination of the tax home status is sensitive to the facts and circumstances of the traveler and can be highly subjective, the traveler (in consultation with his or her tax advisor) must make the final determination and does so with the execution of the *Tax Home and One-Year Limit Representation Form*. The Salt Lake City-based Tax Department may help clarify the tax rules, but the final conclusion resides with the traveler, hopefully in consultation with their tax advisor.

6. Who monitors the commuting and one-year limit rules?

The recruiter with the consultation of the Payroll and Tax Departments should monitor both of these rules and inform the traveler of potential non-qualifying status since the tax treatment may be a critical factor whether the traveler accepts the assignment or assignment extension. The time and distance criteria for commuting can be preliminarily determined from Internet mapping sites. The one-year limit should be evaluated prior to each assignment extension and if it is expected the limitation will be exceeded, the traveler must execute a new *Tax Home and One-Year Limit Representation* form.

7. Why is the *Housing Allowance Representation Form* required?

In order to pay a tax-free housing per diem, not only do the requirements listed in section 2 above need to be met, but the Company must also have a “reasonable belief” that temporary lodging expenses are actually incurred by the traveler while away from their tax home on assignment. This form provides “reasonable belief.”

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