

Duty Station, Tax Home, and Per Diem

Recent events led to the retroactive recognition of the taxability of per diem paid by the State. This is an unfortunate situation for any employee, and departments must be aware as per diem payments are made to prevent it from occurring.

Duty station is the criteria for paying per diem.

Employees traveling away from their duty station are paid per diem under state travel policies. Departments establish the duty station of each position.

Duty station should be the location where most of the work is performed, except in the case of assignment to a temporary work location.

Tax home is the criteria for taxing per diem.

Tax home is the employee's primary residence. It is the location, or within 50 miles thereof, where the employee maintains their primary dwelling.

If an employee maintains multiple residences, the commissioner of the department shall designate the residence that bears the most logical relationship to the duty station as the primary residence. Factors to be considered in determining the primary residence include: the time ordinarily spent performing duties at each location; the degree of business activity at each location; the relative amount of state wages earned at each location.

What is the department's responsibility?

Departments should review positions where duty station and the incumbent's tax home are not the same for possible re-determination of one or both of these locations.

When an employee is assigned to a temporary work location for more than a year, or is earning the majority of state wages at a location other than their duty station, all per diem and possibly other costs of travel are taxable compensation to the employee.

Taxable travel reimbursements of material size should be made through IRIS-HRM to avoid adversely affecting the employee's payroll.

Questions or concerns?

Contact the Division of Finance at (907) 465-2240.