



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

January 19, 2018

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers

FROM: Charles Perusse *Charles Perusse*
State Budget Director

RE: Change in IRS Mileage Rates and OSBM Travel Related Policies and Procedures
Effective January 1, 2018

Effective January 1, 2018, the Internal Revenue Service (IRS) has established new mileage rates based on an annual study of the fixed and variable costs of operating an automobile. The business standard rate increased from 53.5 cents per mile to 54.5 cents, and the medical or moving purposes rate increased from 17 cents per mile to 18 cents. Accordingly, and pursuant to G.S. 138-6(a)(1), the Office of State Budget and Management will adjust the allowable rate of reimbursement for travel by officers and employees on official state business.

The Travel Policies and Regulations section of the Budget Manual has been updated to reflect the new IRS mileage rates.

OSBM has also updated Chapter 5 of the State Budget Manual concerning travel policies and procedures. The over-arching financial management objectives of these changes include:

- Deleting rarely used or outdated policies.
- Providing clarification to managers and employees that some policies may have a potential federal or state tax compliance concern or conflict and provide a process to resolve potential concerns.
- Simplifying administratively complex or confusing policies.

The most notable changes are summarized below.

- Section 5.0.1: Allows agencies flexibility to adopt more conservative policies based on their financial or executive management position.
- Section 5.1.8: Third party lodging. Authorizes the use of online residential rental services that are supported by demonstrated savings.

- Section 5.1.13: In order to comply with federal IRS policies, deletes option to allow breakfast and dinner reimbursements when no over-night stay is involved.
- Section 5.1.26: Personal vehicle reimbursement rates revised to provide clarity and reduce administrative complexity.
- Section 5.1.35: Authorizes use of ride sharing services, in addition to taxi and shuttle services.
- Section 5.3.1: Board and Commission member per diem compensation. Section is revised to be consistent with recent IRS guidance that per diem compensation may be taxable as employee type payments. It directs boards and commissions to consult their legal counsel to determine if the guidance is applicable to their unique board. If the per diem payments are taxable, it specifies that the State Controller has a payroll system mechanism that can help them deduct tax withholding amounts.
- Section 5.3.9: The \$4.50 meeting break rate is adjusted to \$5.00 for coffee, snacks and related items.
- Section 5.5.4: Licensing board member mileage adjusted to rates consistent with state employees.
- Section 5.10: Mobile Device Policies. Revises section and replaces with annual requirement that agencies are responsible for establishing appropriate use policies and periodic internal audit reviews concerning mobile devices.

Please review your department's budget and travel policies to ensure that they are consistent with these changes. If you have specific questions regarding these changes, please contact your OSBM budget analyst at (919) 807-4700.