Per Diem Eligibility and Accountability Policy

Revised 10/13/2018

Policy Statement

H&M Construction Company, LLC reimburses employees using a Per Diem Accountable Plan for lodging and meal expenses incurred while on temporary job assignments away from an employee's tax home in accordance with the most current versions of IRS Publication 463, *"Travel, Entertainment, Gift, and Car Expenses"*, and IRS Publication 535, *"Business Expenses"*.

These publications are available online at:
https://www.irs.gov/pub/irs-pdf/p463.pdf
and
https://www.irs.gov/pub/irs-pdf/p535.pdf

Policy

For the purposes of this policy, and for the safety of our employees, H&M considers employees traveling over fifty (50) miles from their tax home, via the most reasonable route, qualified to be reimbursed for business-related lodging and meal expenses incurred by employees. To determine the location of an employee's Tax Home, H&M requires proof of *"where you regularly live"*. Utility bills in the employee's name, a statement from a landlord, a rental agreement or mortgage, or any other reasonable proof of the employee's Tax Home may be provided.

Lodging and meal expenses must be adequately accounted for under this policy by means of the attached Business Expense Log returned weekly with payroll.

Excess payments may be returned with payroll, by e-mail, or by mail to:

H&M Construction Company, LLC
PO Box 1025
Demopolis, AL, 36732
E-mail: personnel@hmconstructionllc.com

Lodging and meal expenses not adequately accounted for will be included on the employee's W-2 as taxable income.

Excess payments must be returned to H&M Construction Company, LLC within 60 days.

Per diem will be paid at rates reasonable and consistent with expenses that are ordinary and necessary for the area in which the employee is assigned temporarily, but which do not exceed the regular federal per diem rate for the area.

Questions or clarifications regarding this policy should be referred to your supervisor.

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Definitions

Accountable Plan

"To be an accountable plan, your employer's reimbursement or allowance arrangement must include all of the following rules.

1. *Your expenses must have a business connection — that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.*
2. *You must adequately account to your employer for these expenses within a reasonable period of time.*
3. *You must return any excess reimbursement or allowance within a reasonable period of time. "*

Reasonable Period of Time

"You adequately account for your expenses within 60 days after they were paid or incurred."

Adequate Accounting

"You adequately account by giving your employer a statement of expense, an account book, a diary, or a similar record in which you entered each expense at or near the time you had it, along with documentary evidence (such as receipts) of your travel, mileage, and other employee business expenses.
A per diem or car allowance satisfies the adequate accounting requirement under certain conditions."

Returning Excess Reimbursements

"Under an accountable plan, you are required to return any excess reimbursement or other expense allowances for your business expenses to the person paying the reimbursement or allowance. Excess reimbursement means any amount for which you didn't adequately account within a reasonable period of time."

Per Diem and Car Allowances

If your employer reimburses you for your expenses using a per diem or a car allowance, you can generally use the allowance as proof for the amount of your expenses. A per diem or car allowance satisfies the adequate accounting requirements for the amount of your expenses only if all the following conditions apply.

- *Your employer reasonably limits payments of your expenses to those that are ordinary and necessary in the conduct of the trade or business.*
- *The allowance is similar in form to and not more than the federal rate.*
- *You prove the time (dates), place, and business purpose of your expenses to your employer within a reasonable period of time.*
- *You aren't related to your employer. If you are related to your employer, you must be able to prove your expenses to the IRS even if you have already adequately accounted to your employer and returned any excess reimbursement.*

If the IRS finds that an employer's travel allowance practices are not based on reasonably accurate estimates of travel costs (including recognition of cost differences in different areas for per diem amounts), you won't be considered to have accounted to your employer. In this case, you must be able to prove your expenses to the IRS."

Related to Employer

"You are related to your employer if:

1. *Your employer is your brother or sister, half brother or half sister, spouse, ancestor, or lineal descendant,*

2. *Your employer is a corporation in which you own, directly or indirectly, more than 10% in value of the outstanding stock, or*
3. *Certain relationships (such as grantor, fiduciary, or beneficiary) exist between you, a trust, and your employer.*

You may be considered to indirectly own stock, for purposes of (2), if you have an interest in a corporation, partnership, estate, or trust that owns the stock or if a member of your family or your partner owns the stock."

Traveling Away From Home

"You are traveling away from home if:

- *Your duties require you to be away from the general area of your tax home substantially longer than an ordinary day's work, and*
- *You need to sleep or rest to meet the demands of your work while away from home.*

This rest requirement isn't satisfied by merely napping in your car. You don't have to be away from your tax home for a whole day or from dusk to dawn as long as your relief from duty is long enough to get necessary sleep or rest."

Temporary Assignment or Job

"…*Generally, a temporary assignment in a single location is one that is realistically expected to last (and does in fact last) for 1 year or less.*

However, if your assignment or job is indefinite, the location of the assignment or job becomes your new tax home and you can't deduct your travel expenses while there. An assignment or job in a single location is considered indefinite if it is realistically expected to last for more than 1 year, whether or not it actually lasts for more than 1 year."

"An assignment or job that is initially temporary may become indefinite due to changed circumstances. A series of assignments to the same location, all for short periods but that together cover a long period, may be considered an indefinite assignment."

Tax Home

"If you don't have a regular or a main place of business because of the nature of your work, then your tax home may be the place where you regularly live…"

"…If you don't have a regular or main place of business or post of duty and there is no place where you regularly live, you are considered an itinerant (a transient) and your tax home is wherever you work. As an itinerant, you can't claim a travel expense deduction because you are never considered to be traveling away from home."

H&M CONSTRUCTION CO., LLC

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Business Expense Log

W/E Date: _____

Employee Name: _____Last 4 of SSN: _____

Date[1]	Place[2]	Expense Type[3]	Business Purpose[4]

Do you have excess payments to return? _____

If so, provide description and amount: _____

_____

Employee Signature: _____ Date: _____

[1]**Date** – Provide the date or range of dates for the expense
[2]**Place** – Provide the name of the establishment where the expense was incurred
[3]**Expense Type** – Lodging or Meals
[4]**Business Purpose** – Temporary Assignment, etc.

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Employee Certification

Name: _____ Last four of SSN: _____ Date: _____

Tax Home Address:

_____ _____ _____ _____

Street Address *City* *State* *Zip Code*

Type of Tax Home Address Proof Provided: _____

Proof of Tax Home Address Attached: ☐ Received By: _____

By signing below, I certify that I have received and understand H&M Construction Company, LLC's Per Diem Eligibility and Accountability Policy, including the Policy Statement, Policy, Definitions, and Business Expense Log. I also certify that the Tax Home address and proof provided are true and correct.

_____

Employee Signature