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# Transportation Industry Adjusts to New Tax Laws Surrounding Per Diems

TAX, TAX REFORM, TRANSPORTATION & LOGISTICS  
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Effective in 2018, new tax laws were put in place regarding the treatment of per diems for company drivers and owner-operators within the transportation industry. A per diem payment is a reimbursement, as defined in Internal Revenue Code and Regulations, designed to cover meals and incidental expenses of drivers when they're away from home. The new laws will have the greatest impact on company drivers.

Previously, drivers and owner-operators were able to exclude from taxable income any per diem received as reimbursement. The transportation company took a deduction for the per diem paid and the only record keeping consisted of logging days away from home.

When companies didn't pay the per diem as reimbursement, drivers were able to deduct \$63 per day as an "unreimbursed employee business expense" on Schedule A of their individual tax returns. Owner-operators could deduct the \$63 per day as a business expense on either Schedule C of their individual returns or on their business entity income tax returns.

With the change in the law, owner-operators will still be able to deduct per diems as before, but with the elimination of all employee business expense deductions, company drivers lost the ability to claim per diems on their individual tax returns. The new standard deduction (\$12,000 for individuals, \$24,000 for married filing jointly) should help to offset some of that forfeiture.

A better answer for many companies and their employee drivers may be to establish the per diem as a reimbursement plan, which could exclude the payments from drivers' taxable income yet still give the company a deduction. In this tight driver labor market, having per diems treated as nontaxable income could be a great recruiting and retention tool.

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