STATE OF ALABAMA
Department of Finance
Office of the State Comptroller

100 North Union Street, Suite 220
Montgomery, Alabama 36130-2602
Telephone (334) 242-7063 Fax (334) 353-0442
www.comptroller.alabama.gov

Kay Ivey
Governor

Doryan H. Carlton
Finance Director

Kathleen D. Baxter, PhD, CGFM, CPM
State Comptroller

Jamie D. Jackson, CPM
Deputy State Comptroller

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M E M O R A N D U M

TO: Department Directors
Chief Fiscal Officers

FROM: Kathleen D. Baxter
State Comptroller

SUBJECT: Update to *Fiscal Policy and Procedures Manual*

Submitted herein is an updated version of the State of Alabama's Fiscal Policy and Procedures Manual. This is an update in content to *Section 6-5 F Payment for Reimbursement of Travel Expenses and Section 7-15 IRS Forms W-2.*

Please distribute this information to those individuals in your agency who use the manual. This information is also available at http://comptroller.alabama.gov/fiscal-policy-procedures/. If you have questions or comments, please contact Lindsay Bryant at lindsay.bryant@comptroller.alabama.gov.

CHAPTER 6

EXPENDITURES AND DISBURSEMENTS

6-5 PAYMENT TYPES

F. PAYMENT FOR REIMBURSEMENT OF TRAVEL EXPENSES

1. PER DIEM REIMBURSEMENT – IN-STATE TRAVEL

a. Per Diem Allowance and Providing Meals with Public Funds

Alabama law gives authority to the Governor to fix the per diem amount allowable to a person traveling in state in service of the state at not less than $75 per day. *Code of Alabama 1975, § 36-7-20(a), as amended*. However, Internal Revenue Service rules provide that this amount will be treated as taxable wages for the employee if it exceeds the allowable federal per diem rate.

Overnight Travel

The current allowance for overnight per diem is ~~$85.00~~$100.00 or ~~$100.00~~$130.00 per day, depending on the length of the trip. This is the maximum per diem that can be claimed for a single day. For travel requiring one overnight stay, the traveler will be paid ~~$85.00~~$100.00 per day. For travel requiring stays of two or more nights, the traveler will be paid ~~$100.00~~$130.00 per day. All related dates of the travel event should be submitted on the same travel claim so the appropriate per diem rate can be confirmed. A traveler must be paid per diem unless the traveler agrees to waive per diem or the traveler's agency elects to reimburse actual and necessary expenses. If the traveler waives reimbursement, a signed waiver must be present on the travel claim form.

The term overnight, as used in *Code of Alabama 1975, § 36-7-20, as amended,* will be given its plain meaning. The common law meaning of night usually means the period between sunset and sunrise. "Overnight" means that a period of rest is needed to meet the demands of work while away from home. Employees within reasonable travel distance from their home or base are expected to return to their home or base. For travel related expenses, your base is defined as a city or town.

The per diem is not to be paid to an employee stationed at the same place in the State for a period in excess of two consecutive months. After two consecutive months, the per diem is reduced to ~~$75.00~~$97.50 per day (75% of daily rate for trips lasting two nights/three days or longer). The per diem includes all charges for meals, lodging, fees, and tips. *Attorney General's Opinion issued September 8, 1952, vol. 68, p.63.*

An overnight travel allowance is not allowable if the traveler remains in his or her official station or base or primary residence. Justification from the agency head is required for any exceptions to this policy. For travel related expenses, your base is defined as a city or town. If state business requires the traveler to be away from the base or official station on weekends or holidays, the traveler will be entitled to reimbursement for travel for those days.

If the individual's travel is interrupted for personal convenience or through the taking of leave, the travel allowance may not exceed the costs that would have been incurred for authorized uninterrupted travel. This applies to mileage and per diem. *AG Opinion 89-00371.* The mileage claimed can only be the amount claimed had the traveler left and returned to their base.

Non-Overnight Travel

No travel allowance shall be paid for a trip of less than six hours' duration. For travel that does not require an overnight stay, the traveler shall be paid a meal allowance of ~~$12.75~~$15.00 (15% of the regular per diem rate of ~~$85.00~~$100.00) for a trip of six to twelve consecutive hours' duration. For travel in excess of twelve consecutive hours' duration, the traveler shall be paid ~~$34.00~~$40.00, which represents one meal allowance and one-fourth of the per diem allowance. A traveler must be paid per diem unless the traveler agrees to waive per diem or the traveler's agency elects to reimburse actual and necessary expenses. If the traveler waives reimbursement, a signed waiver must be present on the travel claim form. Non-overnight per diem is considered a fringe benefit and is taxable to the employee. The taxable object code 0309 must be used in STAARS.

No meal allowance will be paid if the traveler remains in the city where his/her home or base is located. For travel related expenses, your base is defined as a city or town.

CHAPTER 7

PAYROLL/PERSONNEL

7-15 IRS FORMS W-2

C. REPORTABLE WAGES, TIPS, AND OTHER COMPENSATION

6. PER DIEM ALLOWANCE

The state's maximum overnight per diem allowance of ~~$85.00~~$100.00 for one night and ~~$100.00~~$130.00 for multiple nights is deemed substantiated and is not subject to FICA/Medicare taxes, federal withholding taxes, or state withholding taxes and not reportable for W-2 purposes.

The non-overnight per diem for travel that does not require an overnight stay, is calculated as follows: a) for a trip of from six to twelve hours the traveler shall be paid a meal allowance of ~~$12.75~~$15.00, which represents 15% of the regular per diem rate (allowances paid with object code 0309) and b) for travel in excess of twelve hours duration the traveler shall be paid ~~$34.00~~$40.00, which represents one meal allowance and one-fourth of the per diem allowance (allowances paid with object code 0309).

The non-overnight per diem **is** subject to Federal withholding taxes and is included in Box 1 of Form W-2. The amount is reflected in Box 14 on the W-2 under the heading of "Taxable Travel". This amount is shown on the Form W-2 for informational purposes only. If the employee's regular pay is subject to FICA and/or Medicare, the non-overnight per diem is also subject to these withholdings. The amount has been used in the calculation of Boxes 1, 3, and/or 5 on Form W-2.