

Per Diem Calculator

The Per Diem Benefit

Per diem is a tax benefit. It allows a specific amount of money to be deducted from your taxable income. By participating in this program, it lowers the amount of taxes that you owe and therefore increases your take home pay. While on the Per Diem Pay Program, your gross pay will be reduced by .14 per mile and you will receive a reimbursement of \$.12 per mile that is tax free. You will therefore have a lower tax liability and take home more pay. If you have questions about this program or are not sure how it will benefit you, please contact Kol Trans at 801-907-4600 or the Corporate Payroll Department at 1-800-489-2000. Also, see FAQs below.

Miles Per Week			2500	Experience		
				Months	Years	
Standard Pay Rate per mile			0.360	6	0.5	
(ranges .35 to .53 per mile tier pay)						
Per Diem Rate per mile			\$0.220			
(ranges .21 to .39 per mile tier pay)			\$0.12	*untaxed per diem		
Example pay difference						
		Straight Pay		Per Diem Pay		Difference
Mileage pay per mile		\$0.360		\$0.220		\$(0.14)
Per Diem		\$-		\$0.12		\$0.12
						*where's the \$.02 ?
		Straight Pay		Per Diem Pay		
Gross		\$900.00	\$46,800.00	\$550.00	\$28,600.00	\$(350.00)
FICA	7.65%	68.85		42.08		-26.78
Federal	15.00%	135.00		82.50		-52.50

Per Diem Calculator

State	3.00%	27.00		16.50		-10.50
Total Tax		\$(230.85)		\$(141.08)		\$89.78
Per Diem Reimbursement		<u>\$-</u>		<u>\$300.00</u>		\$300.00
Weekly Net Pay		\$669.15		\$708.93		\$39.78
Net Annualized Take Home		\$34,795.80		\$36,864.10		\$2,068.30
					take home increase	\$0.02
- Pay example does not include -						per mile
*possible \$.03 per mile bonus *possible \$.03+ per mile in xpay *possible \$.02+ per mile in tier pay						

Years	Months	Pay
	0	0.35
	6	0.36
1	12	0.37
2	24	0.375
3	36	0.38
4	48	0.385
5	60	0.39
6	72	0.395
7	84	0.4
8	96	0.405
9	108	0.41
10	120	0.415
11	132	0.42
12	144	0.425
13	156	0.43
14	168	0.435
15	180	0.44

Per Diem Calculator

How will my net weekly pay be affected?

Your Social Security, Medicare, Federal and State taxes will all be lower. This will result in your net weekly pay being higher.

Why does the company reduce my total compensation on the per diem plan?

The Internal Revenue Code disallows 20% of any deductions for expenses on meals and entertainment, for both the company and a driver if he/she were claiming this deduction himself/herself. Per diem is included in this category.

How will Per Diem impact my taxes at the end of the year?

The money received by drivers as per diem in an accountable plan, is categorized as a reimbursement expense. Reimbursements under the accountable plan are not included as income on driver's W-2 at year-end. Therefore, no taxes will be due on this amount. Ultimately participating in the per diem plan will lower your taxable income, resulting in lower tax payment.

Why would a person want a lower taxable income?

In addition to paying less tax, there are other advantages to having a lower income. For instance, Earned Income Credit for dependent children and educational financial aid are based upon income.

How is being paid per diem different from deducting these expenses on my own at the end of the year?

A driver is allowed to deduct per diem on his own at the end of the year on IRS form 2106. The drawback to this method is that the driver can only deduct 80% of the per diem. This amount is entered on the driver's Schedule A. On Schedule A it is reduced further by 2% of the driver's adjusted gross income. The Schedule A total is compared against the standard deduction (which is \$6,200 single and \$12,400 married for the 2014 tax year) with the greater amount being added on form 1040 as a deduction. In order to claim per diem on your own you must prove (by log books) how many nights you have been away from your home. If you take the number of nights out multiplied by \$59 you may be due more than what you have been reimbursed. You will need receipts to document the difference you are claiming. Under the per diem plan proposed, the driver deducts 100% of the per diem because it's not reflected on the W-2 as income and is still entitled to their standard deduction or other Schedule A deductions.

Per Diem Calculator

Can I still file an itemized tax return while on per diem?

Yes you can. You can continue to deduct those expenses you currently itemize. You may claim other work related expenses not to include meals and incidentals, as long as you retain receipts.

Does per diem benefit me if I do not itemize my tax return?

Yes, it allows you to be reimbursed for meals and incidentals that you would not normally be able to take advantage of on a short form tax return. You may still take the standard deduction while on the per diem plan.

Does per diem affect my Social Security contributions?

Yes it does. Social Security contributions are not made on the per diem amount. Social Security benefits are derived by taking the average of the 35 highest income years of an individual. Savings from the per diem could be invested in your retirement plan or IRA in order to offset the reduced retirement benefit.

Does per diem affect my 401(K) contributions?

Yes. The 401(K) deduction is calculated only on gross wages. The amount paid as per diem is not considered gross wages. Keep in mind; 401(K) contributions are tax deferred as well which will reduce your tax liability even further.