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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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B-197051

January 30, 1980

The Honorable Jack Brooks  
Chairman, Committee on  
Government Operations HSE 01500  
House of Representatives

Dear Mr. Chairman:

This is in response to your letter of November 26, 1979, requesting our comments on H.R. 5722, a bill to amend the Internal Revenue Code of 1954 to provide that the mileage allowance used for Federal employees shall also be used for determining the mileage allowance deduction for trade or business expenses (section 1), and to amend title 5 of the United States Code to revise certain provisions relating to mileage and per diem expenses of Federal employees (section 2).

Regarding section 1, we understand that the Internal Revenue Service has administratively adopted the use of the Federal employee mileage allowance for trade and business expense deductions. The Federal employee allowance is determined by the General Services Administration (GSA). Accordingly, we believe section 1 primarily concerns those two agencies and have no comments on it. AGC00004 AGC00017

We support enactment of section 2 of the bill because it would make the process for setting travel rates more responsive to changes in travel costs, and in turn help remedy inequities faced by employees who must travel. The existing law specifies maximum rates that may be paid for per diem (section 5702) and mileage (section 5704). These sections must of course be amended periodically to recognize inflation when the maximum authorizations become inadequate to cover travel costs.

H.R. 5722 would delete specified rates in the law and allow them to be set by GSA through an administrative process similar to what the State Department does in setting per diem rates for foreign countries and the Defense Department does for United States areas outside the conterminous 48 States. GSA would annually determine travel expenses and recommend

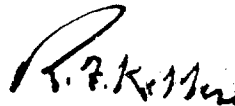
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per diem rates in various areas and report them to the Congress just as the agency does now. But under H.R. 5722 those rates would become effective 30 days after submission of the report unless they were disapproved by a resolution of either House of Congress. We believe this veto feature would still allow the Congress to exercise sufficient control over the rates.

In the past the legislated maximum rates, for per diem in particular, have not been revised frequently enough to keep pace with rising lodging and food costs. The current \$35 per diem limit was established in 1975. Since then it has become inadequate in many areas, and the side-effects have been an increase in paperwork and lost productive time. In 1975 there were only a few high-cost cities where GSA deemed the \$35 rate to be inadequate and therefore, under section 5702(c), authorized actual expenses up to \$50 providing lodging, meal, and miscellaneous expenses were itemized on the travel vouchers. Today there are nearly 100 designated high-cost areas requiring full itemization of these expenses. The cost of preparation and audit of the detailed vouchers must certainly be substantial. In addition, the \$50 maximum for high-cost areas has become inadequate in more and more locations. In 1978 GSA reported that \$50 was less than normal and necessary expenses in five cities; in 1979 that increased to 10 cities. A more responsive rate adjustment mechanism is clearly needed.

Continuation of the past practice of adjusting the maximums every few years would undoubtedly constrain travel costs when compared to the more responsive adjustment method contemplated by H.R. 5722. However, as the maximums fall behind reasonable costs, travel reimbursement would be unfair for Federal employees. We believe there is a price paid in terms of lowered morale of employees who often have no choice other than staying in out-of-the-way and marginal lodgings, or spending personal funds for official travel. Reimbursements to employees should match reasonable and necessary costs as closely as possible. We believe that H.R. 5722 would help toward that goal.

Sincerely yours,



Deputy Comptroller General  
of the United States