

Other Allowances/Per Diems

Unsubstantiated allowances are taxable income to the employee and reported in boxes 1, 3, 5, and 16 on the W-2.

Reporting per diem and car allowances. The following explains how to report **substantiated** per diem and car allowances. The manner in which you report them depends on how the allowance compares to the federal rate. [See Table below.](#)

Allowance less than or equal to the federal rate. If your allowance for the employee is less than or equal to the appropriate federal rate, that allowance isn't included as part of the employee's pay in box 1 of the employee's Form W2.

Allowance more than the federal rate. If your employee's allowance is more than the appropriate federal rate, you must report the allowance as two separate items.

- Include the allowance amount up to the federal rate in box 12 (code L) of the employee's Form W2. This part of the allowance is treated as reimbursed under an accountable plan.
- Include the amount that is more than the federal rate in box 1 (and in boxes 3 and 5 if they apply) of the employee's Form W2. Taxable income subject to income tax withholding, social security, Medicare. This part of the allowance is treated as reimbursed under a non-accountable plan

Allowances paid through HCM with earnings codes:

- ATO – Auto Allowance
- EQA – Equipment Allowance
- EXA – Expense Allowance
- HSA – Housing Allowance

These amounts will already be included in Box 1, 3, 5 and 16. No additional year-end accounting is necessary.

Allowances paid on Commercial Warrant(s) or through Revolving Cash, must submit as a reportable item.

- Enter reportables code **WEX** on the employee payline for allowances more than the federal rate or un-substantiated and includable as income on the W-2.
- Enter reportables code **WXN** for allowances substantiated or per-diems up to the federal rate that must be included in box 12 with code L.

Table 11-1. Reporting Reimbursements

IF the type of reimbursement (or other expense allowance) arrangement is under	THEN the employer reports on Form W-2
An accountable plan with:	
<i>Actual expense reimbursement:</i> Adequate accounting made and excess returned	No amount.
<i>Actual expense reimbursement:</i> Adequate accounting and return of excess both required but excess not returned	The excess amount as wages in box 1.
<i>Per diem or mileage allowance up to the federal rate:</i> Adequate accounting made and excess returned	No amount.
<i>Per diem or mileage allowance up to the federal rate:</i> Adequate accounting and return of excess both required but excess not returned	The excess amount as wages in box 1. The amount up to the federal rate is reported only in box 12—it is not reported in box 1.
<i>Per diem or mileage allowance exceeds the federal rate:</i> Adequate accounting made up to the federal rate only and excess not returned	The excess amount as wages in box 1. The amount up to the federal rate is reported only in box 12—it is not reported in box 1.
A nonaccountable plan with:	
Either adequate accounting or return of excess, or both, not required by plan	The entire amount as wages in box 1.
No reimbursement plan	The entire amount as wages in box 1.

Helpful Links:

[IRS Publication 535](#) *(Updates to this publication have been discontinued, last revision is 2022)*

[IRS Publication 463](#) *(as of this document creation, the 2026 version has not been published)*