

Can S corp owners use the per-diem method?

Q: In a recent item in your newsletter, you said that sole proprietors, partners and LLC members can use the per-diem method for reimbursing meals and incidental expenses on business travel. (See 11/3/03 issue.) Shouldn't that list also include S corporation shareholder/employees? P.D., CPA, Englewood, Colo.

A: Not if they own more than 10 percent of the company. The per-diem allowance method can't be used to substantiate business travel expenses incurred by a person who owns more than 10 percent of an S corporation. So, if that's your situation, no dice. Instead, you must turn in proof of your actual travel expenses to the corporation. You can then receive tax-free reimbursements from the company. FYI, the same rules apply to a C corporation employee who owns more than 10 percent of the company.