December 23, 1998

In reply refer to
DAR Tracking Number: 98-00014

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,
ASN (K/U/A)/ASM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE,
(CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
COMMANDER, DEFENSE CONTRACT MANAGEMENT COMMAND,
DEFENSE LOGISTICS AGENCY

SUBJECT: Class Deviation from Federal Acquisition Regulation
(FAR) 31.205-46(a)(2)(i), Maximum Per Diem Rates Under
the Federal Travel Regulations (FTR)

I authorize all military departments and defense agencies
to deviate from the requirements of FAR 31.205-46(a)(2)(i).
Effective January 1, 1999, defense contractors may choose to
satisfy the limitation on allowable travel costs by continuing
to use the FTR maximum per diem rates and the definitions of
lodging, meals, and incidental expenses in effect on December
31, 1998, or by using the revised FTR rates and definitions that
are effective January 1, 1999.

FAR 31.205-46(a)(2) limits allowable costs for contractor
employee lodging, meals, and incidental expenses to the maximum
per diem rates in effect at the time of travel set forth in the
FTR; the Joint Travel Regulation, Volume 2, DoD Civilian
Personnel, Appendix A; or the Standardized Regulations
(Government Civilians, Foreign Areas), Section 925, “Maximum
Travel Per Diem Allowances for Foreign Areas.”

On December 2, 1998, the General Services Administration
issued a final rule that significantly changes how the FTR
maximum per diem rate limitations are computed, including
extracting lodging taxes from the per diem rates and allowing

Recycling symbol
payment of lodging taxes as a miscellaneous expense instead. The revised FTR rule goes into effect on January 1, 1999.

I am concerned that defense contractors may encounter a significant administrative burden and incur substantial costs in modifying their systems to comply with this new rule. At the same time, the Federal agencies are considering a FAR change to remove these maximum per diem rate limitations. Therefore, I am authorizing a class deviation to permit the use of either the FTR rates and definitions effective on December 31, 1998, or the revised FTR rates and definitions that go into effect on January 1, 1999.

This class deviation is approved until September 30, 1999, or until FAR 31.205-46(a)(2) is revised, whichever event occurs first.

Eleanor R. Spector
Director, Defense Procurement