

# FAQS

## **Why does the company reduce my pay on the per Diem plan?**

*The Internal Revenue Code disallows 20% of any deduction for expenses on meals and entertainment. Per Diem is included in this category. Therefore, in order for the company to pay a per Diem of \$.14 mile, Marten Transport, Ltd will not be able to deduct \$.025 per mile. This reduction per mile helps offset this cost.*

## **If I take the per Diem now, how will that impact my taxes at the end of the year?**

*The money received by drivers as per Diem is categorized as a reimbursed expense. Reimbursements under this plan will **not** show up as income on W-2 at year-end. No taxes will be due on per Diem amounts.*

## **Why should I take the per Diem plan when I can deduct it 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 draw back to this method is that the driver can only deduct 80% of the per Diem. This amount is entered on their schedule A. On the schedule A it is reduced further by 2% of their adjusted gross income. The schedule A total is compared against the standard deduction (which is \$5,450-single and \$10,900-married) with the greater amount being added on form 1040 as a deduction.*

*Under the per Diem plan with Marten, the driver deducts 100% of the per Diem because it is not reflected on the W-2 as income and driver is still entitled to the standard deduction or other schedule A deductions.*

## **Does per Diem affect my FICA contributions?**

*Yes, it does. FICA 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. Calculation on a person who averaged \$30,000 for 35 years and one that averaged the same for the first 30 years and \$20,000 for the last 5 years results in a monthly decrease in benefit when they retire (in today's dollars) of approximately \$15 per month. Social Security only grows at 4%. Savings from the per Diem plan could be invested in your retirement plan or IRA in order to offset the reduced retirement benefit.*

## **How do I determine if the per Diem plan benefits me?**

*Add your federal and state tax rates together. If the sum is greater than 10%, you will benefit being on the per Diem plan.*

## **How do I figure my tax rate?**

*Take last year's tax return and divide line 57 total tax by line 34 adjusted gross income. The total is your tax rate. This method is for the federal return. Each state is different, but there will be a total tax line and an income line.*