

CPT Noakes
ATJA
Mar 02

POINT PAPER

SUBJECT: Taxability of Promotional Travel Benefits
(Ethics Paper #02-03)

1. **Purpose:** To provide guidance on the taxability of promotional travel benefits, such as frequent flyer miles, received as result of official travel.

2. **Discussion Points:**

- Promotional Travel Benefits. New federal travel policy permits military and civilian personnel traveling on official business to acquire promotional travel benefits, such as frequent flyer miles, for their personal use.
- Current IRS Guidance. On 21 Feb 2002, the IRS issued a tax advisory, which stated that employees will not be liable for taxes based on receipt of such benefits. However, the IRS made one exception to this rule.
 - Exception: Employees who convert promotional travel benefits to cash will be liable for federal income tax based on the value of the converted benefits.

3. **Advice.** For any questions regarding the taxability of travel benefits or the changes in the federal travel policy, please contact the Office of the Staff Judge Advocate at 788-2302.