28 B.T.A. 698 (1933)

The cost of transportation between one's home and place of business is a non-deductible personal expense, even if the taxpayer uses their vehicle for business purposes as well.

Summary

The petitioner sought to deduct expenses related to the business use of his personal automobile. The Board of Tax Appeals addressed whether the taxpayer could deduct expenses for using his car for business purposes, and whether transportation costs between home and business were deductible. The Board held that while business-related car expenses were deductible proportionally, commuting expenses were personal and non-deductible, even if related to the taxpayer's occupation. The court allocated a portion of the automobile expenses to business use based on mileage.

Facts

The petitioner used his private automobile for both personal and business purposes. He claimed deductions for the expenses associated with operating the vehicle. The petitioner's testimony indicated that a significant portion of the car's annual mileage was for personal use, including commuting, social activities, and his wife's daytime trips.

Procedural History

The case originated before the Board of Tax Appeals, which reviewed the Commissioner's disallowance of certain deductions claimed by the petitioner. The Sixth Circuit affirmed the Board's decision in a later proceeding, 80 F.2d 478.

Issue(s)

1. Whether the taxpayer can deduct a portion of his private automobile expenses as business expenses?
2. Whether expenses for transportation between the taxpayer's home and place of business are deductible?

Holding

1. Yes, because the taxpayer used the automobile for business purposes, a proportional amount of the expenses are deductible.
2. No, because transportation costs between home and work are considered personal expenses and are not deductible.

Court's Reasoning

The Board allowed for the deduction of automobile expenses to the extent they were

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allocable to business use. The Board relied on the principle of allocating expenses between personal and business use, citing E. C. O'Rear, 28 B.T.A. 698, and Cohan v. Commissioner, 39 F.2d 540, for the proposition that a reasonable estimate is acceptable when exact figures are unavailable. However, the Board emphasized that the cost of commuting between home and work is a non-deductible personal expense, regardless of its relationship to the taxpayer's occupation. The court stated, "Personal expenses are not deductible, even though somewhat related to one's occupation or the production of income." The court relied on Section 24(a)(1) which prohibits deductions for personal expenses and Section 23(a)(2), noting that it does not alter the principle that commuting expenses are non-deductible.

Practical Implications

This case reinforces the principle that commuting expenses are generally not deductible, even if a taxpayer uses the same vehicle for business purposes. It emphasizes the importance of properly allocating expenses between personal and business use when claiming deductions. Taxpayers must maintain detailed records to substantiate their business mileage and expenses. The case demonstrates that expenses must be directly related to the taxpayer's trade or business to be deductible. This case continues to be relevant for tax practitioners advising clients on deductible business expenses and reinforces the stringent rules against deducting personal expenses, even if related to income production.

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