8 T.C. 303 (1947)

Expenses for meals and lodging incurred at a taxpayer's principal place of business are not deductible as traveling expenses when the taxpayer chooses to maintain a residence elsewhere for personal reasons, not due to the employer's requirements.

Summary

John D. Johnson, an employee of Johns-Manville Sales Corporation, sought to deduct expenses for meals and lodging incurred in New York City. He maintained a home in Cleveland with his wife and daughter while temporarily assigned to the New York office. The Tax Court disallowed the deduction, holding that the expenses were personal and not related to his employer's business. The court relied on the Supreme Court's decision in *Commissioner v. Flowers*, emphasizing that the expenses were incurred due to Johnson's personal choice to maintain a home in Cleveland, not due to a business necessity dictated by his employer.

Facts

Johnson was a long-time employee of Johns-Manville Sales Corporation. He lived in Cleveland, Ohio, with his family. In January 1943, he was temporarily assigned to the New York City office as acting sales manager, replacing an employee on leave for naval service. His family remained in Cleveland. Johnson lived in hotels in New York City throughout 1943. His employer paid his travel to New York and initial lodging for 16 days. Thereafter, Johnson paid his own New York living expenses. Johnson considered the New York assignment to be temporary and indefinite. He later received a permanent assignment in New York.

Procedural History

Johnson deducted $1,638.60 for "New York Living Expenses" on his 1943 tax return. The Commissioner of Internal Revenue disallowed the deduction, resulting in a deficiency assessment. Johnson petitioned the Tax Court for a redetermination. The Tax Court upheld the Commissioner's determination.

Issue(s)

Whether expenditures for meals and lodging incurred by a taxpayer in his principal place of business are deductible as traveling expenses while away from home in the pursuit of a trade or business, or whether they constitute non-deductible personal, living, or family expenses.

Holding

No, because the expenses were incurred as a result of the taxpayer's personal choice to maintain a home in a different city from his principal place of business, and were not required by the employer's business.

© 2025 SCOTUSreports.com. All rights reserved.

Court’s Reasoning

The court relied heavily on the Supreme Court’s decision in *Commissioner v. Flowers*, which established three requirements for deducting traveling expenses under Section 23(a)(1)(A) of the Internal Revenue Code: (1) the expenses must be reasonable and necessary traveling expenses; (2) they must be incurred “while away from home;” and (3) they must be incurred in the pursuit of a business. The Supreme Court in *Flowers* emphasized a direct connection between the expenditures and the carrying on of the employer’s business, and that the expenses must be necessary to the employer’s trade or business. The Tax Court found that Johnson’s expenses failed the third requirement because they were incurred due to his personal choice to maintain a home in Cleveland, not due to any requirement or benefit to his employer. The court rejected Johnson’s argument that his New York assignment was temporary, noting that employment of indefinite duration is not the same as temporary employment. The court stated, “The added costs in issue, moreover were as unnecessary and inappropriate to the development of the railroad’s business as were his personal and living costs in Jackson. They were incurred solely as the result of the taxpayer’s desire to maintain a home in Jackson while working in Mobile, a factor irrelevant to the maintenance and prosecution of the railroad’s legal business.”

Practical Implications

This case, following *Commissioner v. Flowers*, clarifies that taxpayers cannot deduct living expenses incurred at their principal place of business if they choose to maintain a residence elsewhere for personal reasons. This decision reinforces the principle that deductible business expenses must be directly related to the employer’s business and not merely for the employee’s convenience or personal preference. Attorneys should advise clients that maintaining a residence separate from their place of work will likely result in non-deductible personal expenses unless the employer requires the separation as a condition of employment. Later cases continue to apply the *Flowers* test, focusing on whether the expenses are truly business-related or primarily for personal convenience.

© 2025 SCOTUSreports.com. All rights reserved.