T.C. Memo. 1950-203

Expenses incurred by a teacher for commuting, automobile use, and home office space are generally not deductible as business expenses unless they are directly related to travel away from home in the performance of employment duties.

Summary

The petitioner, a school teacher, sought to deduct various expenses, including car expenses and a portion of his apartment rent, as business expenses. The Tax Court disallowed these deductions, finding that the petitioner was an employee, not an independent contractor, and the expenses were either commuting expenses or personal expenses, not directly related to his employment duties or travel away from home. The court emphasized the distinction between expenses incurred in a trade or business versus expenses incurred as an employee and found that the claimed expenses did not meet the criteria for deduction under the Internal Revenue Code.

Facts

The petitioner was employed as a school teacher in Chicago public schools and also taught night school at De Paul University. He claimed deductions for expenses such as rent (allocating a portion of his apartment as 'household in lieu of office rent'), car expenses (depreciation, gas, repairs, insurance), and carfare. The petitioner used his car to commute between his home and the schools where he taught.

Procedural History

The Commissioner of Internal Revenue disallowed the claimed deductions, determining that the petitioner was an employee and that the expenses were not deductible as business expenses. The petitioner appealed to the Tax Court, contesting the Commissioner's determination.

Issue(s)

1. Whether the petitioner was an independent contractor engaged in a trade or business, or an employee, for the purpose of deducting expenses under Section 23 of the Internal Revenue Code.

2. Whether the expenses claimed by the petitioner, including car expenses and a portion of his apartment rent, are deductible as ordinary and necessary business expenses or as expenses for the production of income under Section 23 of the Internal Revenue Code.

Holding

1. No, the petitioner was an employee because he received salaries from educational institutions and performed services as a teacher.

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2. No, the claimed expenses are not deductible because they were either commuting expenses, personal expenses, or did not meet the requirements for deduction under Section 23 and Section 22(n) of the Internal Revenue Code.

Court's Reasoning

The court reasoned that the petitioner's primary occupation was that of a school teacher, making him an employee of the educational institutions. As an employee, his deductions were limited to those permitted under Section 23(a)(1)(A) and further explained by Section 22(n)(2) of the Code, which allows deductions for travel, meals, and lodging while away from home. The court found that the car expenses were commuting expenses, which are considered personal expenses and are not deductible, citing Treasury Regulations 111, section 29.23(a)-2: "Commuters' fares are not considered as business expenses and are not deductible." Furthermore, the travel was not "away from home." The court also rejected the argument that a portion of his apartment rent could be deducted as a business expense, finding no legal basis for allocating a portion of home rent for grading papers and preparing lessons. The court also stated, "We have examined each expense itemized by the petitioner and we are unable to find a single expense which would satisfy section 22 (n) of the Code, and, therefore, none of these items are deductible from petitioner's gross income." The court concluded that the expenses were personal and not attributable to any business carried on by the petitioner.

Practical Implications

This case clarifies the distinction between deductible business expenses for independent contractors and the more limited deductions available to employees. It reinforces the principle that commuting expenses are generally not deductible. It also sets a high bar for deducting home office expenses, requiring a clear demonstration that the expenses are directly related to the performance of employment duties, not merely for personal convenience. Later cases have cited *Matthews* to underscore the nondeductibility of commuting expenses and to emphasize the need for taxpayers to demonstrate a direct connection between claimed expenses and their trade or business or employment duties. Attorneys advising educators or other employees should counsel them regarding the strict requirements for deducting expenses related to their employment.

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