20 T.C. 382 (1953)

For tax deduction purposes, a taxpayer's "home" is generally their principal place of employment, not necessarily their family residence, especially when employment is indefinite rather than temporary.

Summary

Michael Carroll, a civilian employee of the War Department, sought to deduct expenses for meals and lodging incurred while working in South Korea as a banking and taxation consultant. The Tax Court denied the deduction, holding that Carroll's "home" for tax purposes was his principal place of employment in Korea, not his family residence in the United States. Consequently, his expenses were not considered "away from home" and were not deductible under Section 23(a)(1)(A) of the Internal Revenue Code. The court also rejected his alternative argument for deduction under Section 23(a)(2), deeming the expenses personal and not directly related to income production.

Facts

Carroll maintained a home in Edgewater, Maryland, but rented it out while he was in Korea. His wife and son resided in Elyria, Ohio. He entered into an employment agreement with the War Department for an indefinite term in Korea, serving as an advisor to the South Korean government on banking and taxation. His travel orders designated his assignment in Korea as "permanent duty." He received a 25% overseas differential in addition to his base salary. He sought to deduct $1,540 for the cost of living in Korea, claiming it was "away from home" while maintaining a home for his wife and son in Ohio. Carroll kept no detailed records of these expenditures.

Procedural History

The Commissioner of Internal Revenue disallowed Carroll's deduction for expenses incurred in Korea, resulting in a tax deficiency. Carroll contested this adjustment before the United States Tax Court.

Issue(s)

1. Whether the expenses incurred by the taxpayer for meals and lodging while working in Korea are deductible as "traveling expenses…while away from home" under Section 23(a)(1)(A) of the Internal Revenue Code.

2. Whether the expenses are deductible as ordinary and necessary expenses paid for the production or collection of income under Section 23(a)(2) of the Internal Revenue Code.

Holding

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1. No, because the taxpayer's "home" for tax purposes was his principal place of employment in Korea, and therefore the expenses were not incurred "away from home."

2. No, because these expenses were personal, living expenses and are not deductible under Section 23(a)(2) of the Code.

Court's Reasoning

The court reasoned that determining the location of the taxpayer's "home" is a crucial preliminary step in deciding whether expenses are deductible as "traveling expenses…while away from home." The court found that Carroll's employment in Korea was for an indefinite term, as evidenced by his employment agreement and travel orders designating Korea as his "permanent duty station." The court distinguished this situation from temporary employment, where a taxpayer may have a regular place of business and incur temporary expenses elsewhere. The court cited prior cases, such as *Todd*, where similar expenses were denied because the taxpayer's post was considered their home for tax purposes. Regarding Section 23(a)(2), the court emphasized that personal, living, or family expenses are not deductible, even if somewhat related to income production. The court stated, "Personal expenses are not deductible, even though somewhat related to one's occupation or the production of income."

Practical Implications

Carroll v. Commissioner clarifies the definition of "home" for tax purposes, particularly for individuals employed in indefinite assignments away from their traditional residence. This case reinforces that the principal place of employment is generally considered the tax home, precluding deductions for living expenses in that location. The decision emphasizes the importance of differentiating between temporary and indefinite employment when claiming travel expense deductions. Later cases have cited *Carroll* to support the denial of deductions where the taxpayer's employment is considered indefinite, even if it involves relocation. Attorneys should advise clients to carefully document the nature and duration of their employment assignments and to understand that the IRS will likely consider the principal place of employment as the tax home unless the assignment is clearly temporary.

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