Doherty v. Commissioner, 16 T.C. 641 (1951)

A cash allowance received by a state trooper in lieu of rations is includible in gross income, and the cost of meals while on duty is a personal expense and not deductible.

Summary

In *Doherty v. Commissioner*, the Tax Court addressed whether a New Jersey State Trooper could exclude from gross income a cash allowance received in lieu of rations and deduct the cost of meals consumed while on duty. The court held that the cash allowance was taxable, distinguishing it from similar allowances for military personnel. Additionally, the court held that the trooper's meal expenses were personal, not business, expenses and were therefore non-deductible. The decision emphasized that state law or custom regarding the allowance's characterization does not determine its taxability and clarified that the trooper's 'home' for tax purposes was his assigned station, not his family's residence.

Facts

John Doherty, a New Jersey State Trooper, received a cash allowance in lieu of rations. He was required to live at his assigned station and could not leave the force without permission. Doherty sought to exclude the cash allowance from his gross income and deduct his meal expenses while on duty. He argued the allowance was similar to those provided to military personnel, which were excluded from gross income, and that his meal costs were deductible business expenses. The IRS determined that the cash allowance was includible in gross income and disallowed the deduction for meal expenses.

Procedural History

The case was heard by the United States Tax Court. The Tax Court reviewed the arguments presented by both Doherty and the Commissioner of Internal Revenue, and considered prior cases related to the taxation of allowances and the deductibility of business expenses. The Tax Court ruled in favor of the Commissioner, and the decision was entered for the respondent.

Issue(s)

1. Whether the cash allowance received by Doherty in lieu of rations is excludible from his gross income.

2. Whether Doherty's expenditures for meals while on duty are deductible as business expenses.

Holding

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1. No, the cash allowance is includible in Doherty's gross income because it is not a cash allowance for military personnel.

2. No, the meal expenditures are not deductible as business expenses because they are considered personal expenses.

Court's Reasoning

The court first addressed the cash allowance. It distinguished Doherty's situation from cases involving military personnel, citing the case *Jones v. United States*, which allowed cash allowances for military personnel to be excluded from gross income. The court noted the Tax Court had already distinguished the Jones case in *Gunnar Van Rosen*. The court emphasized that although New Jersey authorities may have viewed the allowance as payment in lieu of rations, it was not controlling in determining its taxability. The court ruled that it was not analogous to military allowances and, under Section 22(a) of the Internal Revenue Code, the cash allowance must be included in Doherty's gross income.

Regarding meal expenses, the court considered whether these expenses were deductible as business expenses under various sections of the Code. The court stated that the trooper's 'home' for travel expense purposes was his station, not the location of his family. The court cited *Charles H. Hyslope* in its reasoning. The court found that the meals were personal expenditures, not business expenses, and therefore not deductible. The court stated that the expenses of meals are not deductible, and that his employment was inherently one that entailed traveling away from his station and returning thereto at the end of his shift. The court stated: "Such travel as he did was daily routine and, hence, cannot come within the scope of our decision… The fact that sometimes the meal which he ate in a restaurant was the evening one rather than lunch, or that occasionally it was both, does not, in any way, make the cost thereof anything other than a personal expenditure."

Practical Implications

This case underscores the importance of distinguishing between military and civilian personnel when applying tax principles to allowances and reimbursements. The court's focus on the nature of the expense and its connection to the taxpayer's business or employment provides a framework for analyzing similar cases. It clarifies that cash allowances for civilian employees, even if similar to military allowances, are likely taxable. Additionally, the decision reinforces the principle that meal expenses incurred during regular work duties are generally considered personal, non-deductible expenses unless they meet specific criteria (e.g., travel away from home). Attorneys should advise clients that the nature of the expense and the context of its incurrence are crucial in determining its tax treatment. Later cases would continue to follow the same framework when dealing with similar tax issues.

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