David J. Havey, 12 T.C.M. (CCH) 812 (1953)

A taxpayer cannot deduct the cost of a personal item, such as a hearing aid, as a business expense, even if it aids their profession and the loss of property must be proven as a theft and not merely suspected to qualify for a theft deduction.

Summary

This case concerns a tax court decision involving a lawyer, Havey, who sought to deduct the cost of a hearing aid as a business expense and also claimed a theft loss for a lost wallet. The court denied the deduction for the hearing aid, reasoning that it was a personal expense, not a business expense, and that the need for the hearing aid did not alter its personal nature. The court also denied the theft loss deduction because Havey failed to prove that his wallet was stolen; he only suspected a theft. The court emphasized the taxpayer's burden to prove that an expense is deductible or a theft occurred. The court found that the device's personal use precluded it from being a business expense.

Facts

David J. Havey, a lawyer, purchased a hearing aid. He also lost his wallet, containing money and identification, after placing it in his pocket and traveling in a crowded elevator and walking. Havey sought to deduct the cost of the hearing aid as a business expense and claimed a theft loss for his wallet. The Commissioner of Internal Revenue disallowed both deductions, asserting they were personal expenses.

Procedural History

The case was initially brought before the Tax Court of the United States. The Commissioner of Internal Revenue disallowed the deductions. The Tax Court heard the case and ruled in favor of the Commissioner, denying both the business expense and the theft loss deductions. The court's decision was based on the determination that these were personal expenses and that the loss of the wallet was not sufficiently proven to be a theft.

Issue(s)

1. Whether the cost of a hearing aid is a deductible business expense under section 24(a)(1) of the Internal Revenue Code.

2. Whether the loss of a wallet constitutes a theft, entitling the taxpayer to a theft deduction under section 23(e)(3) of the Internal Revenue Code.

Holding

1. No, because a hearing aid is a personal expense, regardless of its utility in the

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taxpayer’s profession.

2. No, because the taxpayer did not present enough evidence to prove the wallet was stolen.

Court’s Reasoning

The court addressed the hearing aid deduction by analyzing whether it qualified as a business expense. The court reasoned that even though a hearing aid might assist Havey in his law practice, it was fundamentally a personal item. The court found that the

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