32 T.C. 334 (1959)

For purposes of deducting travel expenses, a taxpayer's "home" is their principal place of business, not their residence, and expenses are only deductible if incurred while away from that place of business.

Summary

Darrell and Hazel Courtney sought to deduct living expenses and other costs incurred while working at Edwards Air Force Base, arguing they were "away from home" because their family residence was in Long Beach. The Tax Court held the allowance received from the employer, in addition to the salary, was income. The court determined that Edwards Air Force Base was the petitioner's principal place of employment, making expenses there personal, non-deductible expenses, not travel expenses incurred while away from home. The court clarified that the 'home' for the purposes of deducting traveling expenses is not necessarily a taxpayer's residence but is their principal place of employment.

Facts

Darrell Courtney worked for North American Aviation. In 1952, he was transferred from the company's main plant in Downey, California, to Edwards Air Force Base, 35 miles away, to work on a project under contract with the U.S. Air Force. The project was considered temporary. North American paid Courtney an allowance to cover the increased living expenses at Edwards Air Force Base, in addition to his salary. The Courtneys moved to a residence in Lancaster, California, near Edwards Air Force Base, where they lived from late 1952 until 1954. They sought to deduct the allowance, as well as expenses for rent, utilities, moving, and car expenses, as "traveling expenses while away from home."

Procedural History

The Commissioner of Internal Revenue determined a deficiency in the Courtneys' income tax for 1953, disallowing the deductions for "living expenses away from home." The Courtneys petitioned the United States Tax Court, arguing that their expenses were deductible. The Tax Court ruled in favor of the Commissioner, finding that the expenses were not deductible traveling expenses.

Issue(s)

1. Whether the living expense allowance from North American Aviation was gross income?

2. Whether Edwards Air Force Base was Courtney's "home" for tax purposes?

3. Whether various expenses, including rent, utilities, moving costs, and car expenses, incurred by the petitioner at Edwards Air Force Base, were deductible as

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traveling expenses?

4. Whether the cost of meals taken at the Edwards Base when petitioner worked overtime was deductible?

Holding

1. Yes, because it was additional compensation for services.

2. Yes, because Edwards Air Force Base was petitioner's principal place of employment.

3. No, because the expenses were not incurred "while away from home" in pursuit of business.

4. No, because these meal expenses were personal expenses.

Court's Reasoning

The court determined that the additional cash allowance paid by North American Aviation to Courtney constituted income under Section 22(a) of the Internal Revenue Code. The Court also determined that Courtney's "home" for the purpose of determining travel expenses, was Edwards Air Force Base, not Downey or Long Beach. The court cited *Commissioner v. Flowers*, which established that the expenses must be business expenses incurred while away from the taxpayer's principal place of business to be deductible. The court found that the expenses were not incurred in the pursuit of the employer's business but were instead personal expenses, and therefore, not deductible. The court noted that the costs of commuting, meals during work, moving, and depreciation of personal property are generally non-deductible personal expenses. The Court distinguished the allowance from reimbursed business expenses. The court emphasized that, since deductions are a matter of legislative grace, compliance with the conditions in the statute is necessary for an allowable deduction.

Practical Implications

The case is important for clarifying how "home" is defined for the purposes of deducting travel expenses under U.S. tax law. For attorneys and tax professionals, this case provides clear guidance that a taxpayer's home is typically their principal place of business, not their residence. To deduct travel expenses, a taxpayer must be away from their "home" in the pursuit of business. The decision underscores the importance of establishing a business headquarters and documenting that travel is required by the exigencies of that business. This impacts how businesses define employee work locations and how employees can deduct certain expenses. Subsequent cases continue to cite *Courtney* and *Flowers* in defining the criteria for deductible travel expenses, particularly where employees have multiple work locations or work assignments that could be considered temporary. This case also

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highlights that allowances meant to cover additional living expenses constitute income, not reimbursements.

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