Aksomitas v. Commissioner, 51 T. C. 687 (1969)

A casualty loss under IRC §165(c)(3) requires proof of sudden external force and the measure of loss, while moving expenses under IRC §217 are limited to household goods and personal effects.

Summary

William E. Aksomitas attempted to deduct a $5,400 casualty loss for his yacht, Tradewinds, which became disabled during a journey from Connecticut to Florida, and $800 for moving expenses. The court held that the loss was not deductible as a casualty under IRC §165(c)(3) because it resulted from a pre-existing mechanical defect rather than a sudden external force. Additionally, the moving expenses were disallowed under IRC §217 as the yacht did not qualify as household goods or personal effects. The court emphasized the need for clear proof of both the casualty event and the loss amount, as well as the narrow scope of deductible moving expenses.

Facts

William E. Aksomitas, a mechanical engineer, purchased a 45-foot yacht, Tradewinds, in 1960 for $6,000. In 1961, he moved to Florida for work. The yacht remained in Connecticut, where it underwent various repairs and maintenance over the next few years. In August 1964, Aksomitas attempted to sail the yacht to Florida, but it became disabled near Manhattan due to a broken propeller shaft. The yacht was towed to a boatyard in Yonkers, where it was sold for $900. Aksomitas claimed a $5,400 casualty loss and $800 in moving expenses on his 1964 tax return, which the IRS disallowed.

Procedural History

The IRS determined a deficiency in Aksomitas's 1964 income tax, disallowing his claimed casualty loss and moving expenses. Aksomitas petitioned the Tax Court for a redetermination of the deficiency. The Tax Court upheld the IRS's determination, finding that Aksomitas failed to prove a casualty loss or that the yacht qualified as a deductible moving expense.

Issue(s)

1. Whether the damage to Aksomitas's yacht constituted a deductible casualty loss under IRC §165(c)(3)?
2. Whether the expenses incurred in moving the yacht were deductible as moving expenses under IRC §217?

Holding

1. No, because the damage was due to a pre-existing mechanical defect rather than

© 2025 SCOTUSreports.com. All rights reserved.

a sudden external force, and the measure of loss was not proven.
2. No, because the yacht did not qualify as household goods or personal effects under IRC §217.

Court's Reasoning

The court applied the rule of ejusdem generis to interpret IRC §165(c)(3), requiring that a casualty loss must result from an external and sudden force, as established in John P. White, 48 T. C. 430 (1967). Aksomitas failed to prove that the yacht's propeller struck an object, instead of breaking due to a pre-existing misalignment. The court noted, "the preponderance of the evidence indicates that Tradewinds was an old boat with continuing structural and mechanical difficulties which grew worse as time passed. " Even if a casualty were proven, Aksomitas did not establish the measure of loss, as required by law.

For the moving expense deduction under IRC §217, the court found that the yacht did not meet the statutory definition of "household goods" or "personal effects. " The court emphasized that Congress limited deductible moving expenses to items intimately associated with the home or person, not all personal property. The court rejected Aksomitas's interpretation, stating, "The Tradewinds, a 13½-ton, 45-foot diesel yacht, cannot be considered by any stretch of the imagination as property within the meaning of 'household goods' or 'personal effects' as those terms are used in section 217(b)(1)(A). "

Practical Implications

This case clarifies the stringent requirements for proving a casualty loss under IRC §165(c)(3), emphasizing the need for clear evidence of a sudden, external force and the precise measure of loss. Taxpayers claiming such deductions must be prepared to substantiate both elements thoroughly. The decision also limits the scope of deductible moving expenses under IRC §217, reinforcing that only household goods and personal effects qualify. This ruling impacts how taxpayers can plan and document their deductions, particularly in cases involving large personal property items like yachts. Subsequent cases, such as Helvering v. Owens, 305 U. S. 758 (1939), have further refined the interpretation of casualty losses, but Aksomitas remains a key precedent for distinguishing between deductible and non-deductible losses and expenses.

© 2025 SCOTUSreports.com. All rights reserved.