Tougher v. Commissioner, 43 T. C. 751 (1965)

Groceries purchased by an employee at a commissary do not qualify as 'meals' for tax exclusion under Section 119 of the 1954 Code.

Summary

In Tougher v. Commissioner, the Tax Court ruled that groceries purchased by Mrs. Tougher at an FAA commissary did not qualify as 'meals' under Section 119 of the 1954 Internal Revenue Code, thus not eligible for exclusion from her husband's taxable income. The court emphasized that Section 119 applies to meals and lodging furnished in kind for the employer's convenience, not to groceries bought for family use. The decision clarified that 'meals' under the statute refer to prepared food, not raw ingredients, and underscored the importance of the employer's control over the provision of meals.

Facts

Mrs. Tougher, wife of an FAA employee, purchased groceries at an FAA commissary, primarily for family use. The Toughers sought to exclude these grocery expenditures from Mr. Tougher's taxable income under Section 119 of the 1954 Code, which allows for the exclusion of the value of meals or lodging provided by an employer for the employer's convenience.

Procedural History

The Toughers filed a petition with the Tax Court to challenge the Commissioner's determination that the grocery purchases were not excludable from gross income under Section 119. The Tax Court, in its decision, ruled in favor of the Commissioner, holding that the groceries did not qualify as 'meals' under the statute.

Issue(s)

1. Whether groceries purchased by an employee at a commissary qualify as 'meals' under Section 119 of the 1954 Code?

Holding

1. No, because the term 'meals' in Section 119 refers to prepared food, not groceries or raw ingredients purchased for family use.

Court's Reasoning

The court analyzed the statutory language and legislative history of Section 119, noting that the section deals with exclusions from gross income, not deductions, and is specifically designed to address the tax treatment of meals and lodging furnished

in kind. The court emphasized that ‘meals’ under the statute refer to food prepared for immediate consumption, not groceries like potatoes, coffee, or uncooked chicken. The court further reasoned that the employer’s control over the time, place, duration, value, and content of the meal is a key element of the ‘convenience of the employer’ requirement, which is lacking when an employee purchases groceries. The court distinguished this case from others like Anderson, where food items were furnished in kind by the employer, and clarified that Section 119 does not apply to reimbursements for food purchased by the employee. The court’s decision was grounded in the ordinary meaning of the word ‘meals’ and the legislative intent behind Section 119.

Practical Implications

This decision clarifies that groceries purchased by employees at commissaries or similar facilities do not qualify as ‘meals’ under Section 119, thus not eligible for exclusion from taxable income. Legal practitioners advising clients on tax exclusions under Section 119 should ensure that any meals or lodging provided are furnished in kind by the employer and meet the ‘convenience of the employer’ test. This ruling impacts how employers structure employee benefits and how employees report income, particularly in industries with on-site commissaries or similar arrangements. Future cases involving similar issues will need to consider the distinction between prepared meals and groceries, as well as the degree of employer control over meal provision.

