Jones v. Commissioner, 54 T. C. 734 (1970)

Living expenses and moving costs are not deductible when an employee relocates for an educational assignment of substantial duration.

Summary

Lloyd G. Jones, an employee of Mobil, was granted a 3-year educational leave to pursue a Ph. D. at Ohio State University. While in Columbus, Jones remained on Mobil's payroll and retained employee benefits. The Tax Court ruled that Jones's living expenses in Columbus were not deductible under IRC §162(a) because Columbus became his tax home during the 3-year stay. Additionally, the court held that Jones's unreimbursed moving expenses from Dallas to Columbus were not deductible under §162(a), following recent appellate decisions disallowing such deductions for employees.

Facts

Lloyd G. Jones worked as a chemical engineer at Mobil's Dallas laboratory from 1959 until 1963. In August 1963, Mobil offered Jones an incentive fellowship to pursue a Ph. D. in chemical engineering at Ohio State University, requiring him to remain on the company's payroll and retain employee benefits. Jones and his family moved to Columbus, Ohio, where he enrolled at Ohio State in September 1963. He completed his Ph. D. in 1966 and returned to Mobil's Dallas laboratory. During his time in Columbus, Jones received salary payments from Mobil and claimed deductions for living expenses and moving costs on his tax returns, which the IRS disallowed.

Procedural History

The Commissioner of Internal Revenue issued notices of deficiency for tax years 1963-1966, disallowing deductions for living expenses and moving costs. Jones petitioned the U. S. Tax Court for a redetermination of the deficiencies. The Tax Court upheld the Commissioner's determinations, holding that the expenses were not deductible under IRC §162(a).

Issue(s)

1. Whether the expenses for Jones's meals and lodging while attending graduate school in Columbus are deductible under IRC §162(a).
2. Whether the unreimbursed expenses incurred by Jones in moving his family from Dallas to Columbus in 1963 are deductible under IRC §162(a).

Holding

1. No, because Jones was not "away from home" within the meaning of §162(a) during his 3-year stay in Columbus, which became his tax home.

© 2025 SCOTUSreports.com. All rights reserved.

2. No, because moving expenses are not deductible under §162(a) for employees relocating to a new principal place of work, following recent appellate decisions.

Court's Reasoning

The court applied the "tax home" doctrine, holding that Columbus became Jones's tax home during his 3-year stay, as it was his principal place of employment. The court cited precedent establishing that a taxpayer's tax home is the location of their principal place of business, not their domicile. Jones's assignment in Columbus was of substantial duration, and he did not incur duplicate living expenses, as he leased his Dallas home. Therefore, his living expenses in Columbus were personal and not deductible under §162(a). Regarding the moving expenses, the court followed recent appellate decisions reversing its prior holdings that such expenses were deductible under §162(a). The court found no basis in the regulations to treat employee-students differently from other employees. Judges Drennen and Simpson concurred, emphasizing the controlling nature of the appellate decisions in the relevant circuits.

Practical Implications

This decision clarifies that employees on extended educational assignments cannot deduct living expenses at the new location, as it becomes their tax home. It also establishes that unreimbursed moving expenses are not deductible under §162(a), following appellate court precedent. Employers and employees should consider these tax implications when structuring educational leave programs. The ruling may influence how companies design incentive programs and how employees plan for the tax treatment of expenses during such assignments. Subsequent cases, such as *Bingler v. Johnson*, have further refined the tax treatment of educational benefits, but this case remains significant for its holdings on living and moving expenses.

© 2025 SCOTUSreports.com. All rights reserved.