Kenfield v. Commissioner, 54 T. C. 1197 (1970)

Fees paid to a career consultant for job search services are deductible as ordinary and necessary business expenses if they are directly related to the taxpayer's trade or business.

Summary

Kenneth Kenfield, an engineer, paid Frederick Chusid & Co. to assist in finding a new job. After accepting an offer from American Steel Foundries, his current employer, General Electric, countered with a promotion and salary increase, leading Kenfield to stay. The Tax Court held that the fees paid to Chusid were deductible as business expenses under IRC Sec. 162(a), reasoning that the new job offer directly led to his promotion at General Electric. This case establishes that job search expenses can be deductible if they are connected to one's trade or business.

Facts

Kenneth Kenfield, employed as a design engineer at General Electric, sought a new job due to dissatisfaction with his career prospects. He engaged Frederick Chusid & Co. to help him find a new position. After paying Chusid $1,781. 75, Kenfield received and accepted an offer from American Steel Foundries. However, two days before leaving General Electric, they offered him a promotion and a salary increase, which he accepted, deciding to stay. The IRS disallowed his deduction of the Chusid fees, claiming they were personal expenses.

Procedural History

Kenfield filed a petition with the U. S. Tax Court after the IRS disallowed his deduction for fees paid to Chusid. The Tax Court, in its decision dated June 3, 1970, ruled in favor of Kenfield, allowing the deduction.

Issue(s)

1. Whether fees paid to a career consultant for job search services are deductible under IRC Sec. 162(a) as ordinary and necessary business expenses?

Holding

1. Yes, because the fees paid to Chusid were directly related to Kenfield's trade or business as an engineer, as they led to a new job offer which in turn resulted in a promotion and salary increase at his current employer.

Court's Reasoning

The Tax Court found that Kenfield was engaged in the trade or business of being an engineer, and his payments to Chusid were proximately related to continuing that

© 2025 SCOTUSreports.com. All rights reserved.

trade or business. The court relied on its recent decisions in Primuth and Motto, where similar job search expenses were deemed deductible. The court emphasized that Kenfield's new job offer from American Steel Foundries directly influenced General Electric's decision to offer a promotion and salary increase, thus making the expenses deductible under IRC Sec. 162(a). The court rejected the IRS's argument that the expenses were personal, noting that the promotion at General Electric was a direct consequence of the job search efforts facilitated by Chusid.

Practical Implications

This decision expands the scope of deductible business expenses to include job search costs when they lead to a direct benefit in one's current employment. Practitioners should advise clients to document how job search expenses relate to their current or prospective trade or business. This ruling may encourage employers to counter-offer when employees seek new opportunities, knowing that the employee's job search costs might be deductible. Subsequent cases like Morris v. Commissioner have affirmed this principle, further solidifying the deductibility of such expenses when connected to one's trade or business.

© 2025 SCOTUSreports.com. All rights reserved.