Barry v. Commissioner, 54 T. C. 1210 (1970)

Meal expenses incurred during long one-day business trips are not deductible unless the trip necessitates an overnight stay involving sleep or rest.

Summary

Frederick Barry, a consulting management engineer, sought to deduct meal expenses from his 16 to 19-hour one-day business trips, during which he briefly rested in his car. The IRS disallowed the deduction, applying the 'overnight rule' established in U. S. v. Correll. The Tax Court upheld the IRS's position, ruling that Barry's trips did not qualify as being 'away from home' under IRC §162(a)(2) because they did not involve a significant period of sleep or rest. This decision reinforced the principle that meal deductions are contingent on the nature of the travel, requiring an overnight stay to be deductible.

Facts

Frederick J. Barry, a self-employed consulting management engineer, made approximately 235 one-day business trips in 1966 to clients in Massachusetts, Connecticut, and Rhode Island. These trips ranged from 16 to 19 hours, with Barry typically leaving home early in the morning and returning late at night. During these trips, he ate meals and occasionally took brief rest periods in his car, using a blanket and pillow. Barry sought to deduct $1,813. 21 in meal expenses, but the IRS disallowed the deduction, classifying these meals as personal expenses.

Procedural History

The IRS disallowed Barry's meal expense deductions and determined a tax deficiency. Barry, representing himself, petitioned the U. S. Tax Court to review the IRS's decision. The Tax Court, after considering the case, upheld the IRS's application of the 'overnight rule' and ruled in favor of the Commissioner.

Issue(s)

1. Whether meal expenses incurred during one-day business trips that do not involve an overnight stay are deductible under IRC §162(a)(2).

Holding

1. No, because the 'overnight rule' established in U. S. v. Correll requires that a taxpayer be away from home in a manner that necessitates sleep or rest for meal expenses to be deductible.

Court's Reasoning

The Tax Court applied the 'overnight rule' from U. S. v. Correll, which states that a taxpayer is not considered away from home for tax purposes unless the trip requires a period of sleep or rest. The court found Barry's case indistinguishable from Correll, despite the longer duration of his trips and brief rest periods in his car. The court emphasized that the rest Barry took was not substantial enough to qualify under the rule, as it did not involve additional expenses or a significant break from the daily work routine. The court cited the Supreme Court's rationale in Correll, which aimed to maintain fairness by treating all one-day travelers similarly, and referenced other cases like Commissioner v. Bagley to support its decision. The court rejected Barry's argument that his meals could be deductible under the general 'ordinary and necessary' expenses provision of IRC §162(a), as there was no authority supporting such a deduction outside the context of the overnight rule.

Practical Implications

The Barry v. Commissioner decision reinforces the IRS's 'overnight rule' and clarifies that meal expenses on long one-day business trips are not deductible unless they involve an overnight stay with sleep or rest. This ruling affects how taxpayers, especially those in professions requiring extensive travel, should approach their tax planning and expense reporting. Legal practitioners advising clients on travel expense deductions must emphasize the necessity of an overnight stay for meal deductions to be valid. The decision has implications for businesses in structuring travel policies and compensation for employees who undertake long one-day trips. Subsequent cases have continued to apply this rule, emphasizing the importance of understanding the 'away from home' definition in tax law.

