Schweighardt v. Commissioner, 54 T. C. 1273 (1970)

A taxpayer cannot deduct moving expenses under section 217 for a temporary work assignment if they claim travel expenses under section 162 for the same period.

Summary

Robert Schweighardt, a teacher on a Fulbright grant in Korea, sought to deduct both travel expenses under section 162 and moving expenses under section 217 for his temporary work assignment. The Tax Court held that while Schweighardt could deduct his living expenses in Korea as travel expenses because his assignment was temporary, he could not also deduct moving expenses for transporting his family and household goods to and from Korea. The court reasoned that a temporary assignment does not qualify as a "new principal place of work" under section 217, upholding the IRS regulation that disallows such dual deductions.

Facts

Robert Schweighardt, a California teacher, received a Fulbright grant to teach in Korea for the 1964-65 academic year. He took a leave of absence from his U. S. job, and his family accompanied him to Korea. Schweighardt was paid in nonconvertible Korean currency. He claimed deductions for both travel expenses while in Korea and moving expenses for transporting his family and household goods to and from Korea.

Procedural History

The IRS disallowed Schweighardt's moving expense deductions, asserting that Korea was not his new principal place of work. Schweighardt petitioned the U. S. Tax Court for a redetermination of the deficiencies. The court upheld the IRS's disallowance of the moving expense deductions but allowed the travel expense deductions.

Issue(s)

1. Whether Schweighardt could deduct moving expenses under section 217 for transporting his family and household goods to and from Korea, where he was temporarily employed as a Fulbright grantee.
2. If Schweighardt is entitled to moving expense deductions, whether his claimed deductions for travel expenses under section 162 should be disallowed.

Holding

1. No, because Korea was not Schweighardt's new principal place of work under section 217, as his employment there was temporary.
2. Not applicable, as the court held Schweighardt was not entitled to moving expense deductions.

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Court’s Reasoning

The court relied on the distinction between temporary and indefinite employment. Schweighardt’s Fulbright grant was for a fixed period, making his work in Korea temporary. The court followed its precedent in *Laurence P. Dowd*, which allowed travel expense deductions for temporary assignments. However, the court upheld the IRS regulation that a temporary work location cannot be considered a “new principal place of work” under section 217. The regulation is a reasonable interpretation of the statute, which requires a new principal place of work to be permanent or indefinite. Schweighardt’s claim of travel expenses under section 162 for his time in Korea precluded him from also claiming moving expenses under section 217. The court rejected Schweighardt’s argument that the regulation was inequitable for Fulbright grantees paid in nonconvertible currency.

Practical Implications

This decision clarifies that taxpayers cannot claim both travel expenses for temporary work under section 162 and moving expenses under section 217 for the same assignment. Attorneys should advise clients on temporary work assignments that they must choose between deducting travel expenses or moving expenses, but not both. This ruling impacts how professionals on temporary international assignments structure their tax planning. It also reinforces the IRS’s authority to interpret tax statutes through regulations, which can significantly affect taxpayers’ ability to claim deductions. Subsequent cases have followed this precedent, solidifying the rule that temporary assignments do not qualify as new principal places of work for moving expense deductions.

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