Dilley v. Commissioner, 58 T. C. 276 (1972)

Travel expenses for recurring seasonal employment away from the taxpayer's tax home are not deductible under section 162(a)(2) of the Internal Revenue Code.

Summary

Franklin Dilley, a long-time Arizona resident, sought to deduct travel, meals, and lodging expenses incurred while working as a parimutuel manager at a Florida racetrack for five months each year from 1966 to 1969. The Tax Court held that Dilley's employment in Florida was not temporary but rather recurring seasonal work, thus not qualifying for deductions under section 162(a)(2). The decision hinged on the distinction between temporary and indefinite employment, emphasizing that Dilley's situation did not meet the criteria established in Commissioner v. Flowers, where personal choice to live away from the work location precluded expense deductions.

Facts

Franklin Dilley, a legal resident of Arizona since 1935, worked as a parimutuel manager at a racetrack in Pensacola, Florida, from May to September each year starting in 1966. He had previously worked at the same track and was rehired due to his experience. Dilley and his wife rented an apartment in Florida during the racing season, returning to Arizona at its conclusion. Dilley was informally notified of his job each year and received no other employment during this period. He sought to deduct travel, meals, and lodging expenses incurred while working in Florida on his 1968 federal income tax return.

Procedural History

The Commissioner of Internal Revenue disallowed Dilley's deductions for travel, meals, and lodging expenses related to his Florida employment. Dilley petitioned the United States Tax Court, which reviewed the case and ultimately decided in favor of the Commissioner, holding that the expenses were not deductible under section 162(a)(2) of the Internal Revenue Code.

Issue(s)

1. Whether the expenditures incurred by Franklin Dilley for travel, meals, and lodging while working in Florida during 1968 are deductible as traveling expenses while away from home under section 162(a)(2) of the Internal Revenue Code.

Holding

1. No, because the court found that Dilley's employment in Florida was not temporary but rather recurring seasonal work, which does not qualify for deductions under section 162(a)(2).

Court’s Reasoning

The court relied on the precedent set in Commissioner v. Flowers, which established that travel expenses are only deductible if they meet three conditions: they must be reasonable and necessary, incurred while away from home, and directly connected to the taxpayer’s business. The court distinguished between temporary and indefinite employment, citing Commissioner v. Peurifoy, which emphasized that employment must be temporary at the time of acceptance to qualify for deductions. The court determined that Dilley’s position in Florida was not temporary but rather a recurring seasonal job, as evidenced by his continued employment over multiple years and the expectation of future work. The court also noted that Dilley’s decision to live in Arizona and work in Florida was personal and not required by business exigencies, further supporting the non-deductibility of his expenses. The court referenced Maurice M. Wills to underscore that recurring seasonal employment does not fall within the temporary exception, and thus Dilley’s expenses were not deductible.

Practical Implications

This decision clarifies that recurring seasonal employment away from one’s tax home does not qualify for travel expense deductions under section 162(a)(2). Taxpayers engaged in similar situations must carefully consider their employment’s nature and duration when claiming such deductions. Legal practitioners should advise clients to evaluate their work arrangements at the time of acceptance to determine if they meet the temporary employment criteria. The ruling impacts individuals in industries with seasonal work patterns, such as agriculture, construction, and sports, requiring them to plan their tax strategies accordingly. Subsequent cases, such as Wills v. Commissioner, have reinforced this interpretation, emphasizing the importance of the employment’s anticipated duration and the taxpayer’s intent at the time of acceptance.

