Leonard C. Black and Dolores M. Black, Petitioners v. Commissioner of Internal Revenue, Respondent, 60 T. C. 108 (1973), 1973 U. S. Tax Ct. LEXIS 140, 60 T. C. No. 13

Expenses related to personal property transactions are not deductible as business expenses, but fees for job-seeking services within one's established field are deductible under section 162.

Summary

In Black v. Commissioner, the Tax Court addressed the deductibility of various expenses claimed by Leonard C. Black, a transferred employee. The court held that a real estate brokerage commission paid for selling his old home and a Pennsylvania real estate transfer tax paid upon purchasing a new home were not deductible under sections 162, 212, or 164. These expenses were deemed personal and not directly related to his employment. However, the court allowed a deduction under section 162 for a fee paid to a job-counseling service, despite the service not directly leading to new employment. This case clarifies the distinction between personal and business-related expenses and the deductibility of job-seeking costs.

Facts

Leonard C. Black, employed as a comptroller by ITT Corp. , was transferred from Tiffin, Ohio, to Philadelphia, Pennsylvania, in March 1968. He sold his home in Tiffin, incurring a real estate brokerage commission of $1,578, and purchased a new home in Pennsylvania, paying a $340 real estate transfer tax. In September 1968, Black paid $1,875 to Frederick Chusid & Co. for job-counseling services to help him seek a new position. Although he obtained new employment in August 1970 with Circle F Industries, Chusid did not directly contribute to this outcome.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in Black's 1968 income tax liability. Black filed a petition with the United States Tax Court, contesting the disallowance of deductions for the real estate commission, transfer tax, and job-counseling fee. The Tax Court heard the case and issued its decision on April 24, 1973.

Issue(s)

1. Whether the commission paid to a real estate broker for the sale of a private residence is deductible under sections 162 or 212.
2. Whether the Pennsylvania real estate transfer tax is deductible under section 164.
3. Whether the fee paid to Frederick Chusid & Co. for job-counseling services is deductible under section 162.

Holding

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1. No, because the commission was a personal expense related to the sale of a capital asset, not an ordinary and necessary business expense.
2. No, because the transfer tax was a personal expense and did not fit within the categories of deductible taxes under section 164.
3. Yes, because expenses incurred in seeking new employment within one's established field are deductible under section 162, regardless of whether employment is secured.

Court's Reasoning

The court applied sections 162, 212, and 164 to determine the deductibility of the expenses. For the real estate commission and transfer tax, the court emphasized the personal nature of these expenses, lacking a direct nexus to Black's employment. The court cited *Leonard F. Cremona* and other cases to reinforce that expenses related to personal property transactions are not deductible as business expenses. However, for the job-counseling fee, the court followed *Cremona*, which established that expenses for seeking new employment within one's established field are deductible under section 162, even if no job is secured. The court rejected the Commissioner's argument to distinguish between seeking and securing employment, affirming that the fee was deductible.

Practical Implications

This decision clarifies that expenses directly related to personal property transactions, such as selling a home or paying a transfer tax, are not deductible as business expenses. Taxpayers should treat these as capital expenditures affecting the basis of the property. Conversely, the ruling supports the deductibility of job-seeking expenses within one's established field, which can be claimed even if the services do not directly lead to new employment. This case influences how taxpayers and tax professionals analyze similar expenses, emphasizing the importance of distinguishing between personal and business-related costs. Subsequent cases and tax regulations have applied this ruling, reinforcing its impact on tax practice.

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