

Lindeman v. Commissioner, 60 T. C. 609 (1973)

Lodging provided to an employee is considered on the employer's 'business premises' if it is an integral part of the business property or where the employee performs significant duties.

Summary

In *Lindeman v. Commissioner*, the U. S. Tax Court held that a house provided to the general manager of a hotel was on the 'business premises' of his employer under Section 119 of the Internal Revenue Code, allowing the exclusion of its fair rental value from the manager's gross income. Jack Lindeman, the manager, lived in a house across the street from the hotel, which was part of a larger property owned and leased by the hotel's corporation. The court found that the house and nearby lots were essential to the hotel's operations, including overflow parking, and Lindeman performed significant duties from the house, supporting the decision that it was part of the hotel's business premises.

Facts

Jack Lindeman was employed as the general manager of Beach Club Hotel in Fort Lauderdale, Florida, since 1959. Initially, he lived in a hotel suite until 1963 when the hotel decided to relocate him to a house across Oakland Park Boulevard due to cost considerations and the need for additional parking. The house was located on a lot owned by 3200 Galt Ocean Drive Corp. , which leased it to Beach Hotel Corp. Lindeman was available 24/7, frequently worked from the house, and used a direct telephone line connecting to the hotel's switchboard. The nearby lots were intended for future parking expansion but were used for overflow parking in the meantime.

Procedural History

The Commissioner of Internal Revenue determined deficiencies in Lindeman's income tax for 1968 and 1969, asserting that the value of the lodging should be included in his gross income. Lindeman petitioned the U. S. Tax Court, which heard the case and ruled in his favor, finding that the house was part of the hotel's business premises under Section 119.

Issue(s)

1. Whether the house furnished to Jack Lindeman by his employer was located 'on the business premises of his employer' within the meaning of Section 119 of the Internal Revenue Code.

Holding

1. Yes, because the house and surrounding lots were an integral part of the hotel's operations, used for overflow parking and to house the general manager, who

performed significant duties from the house.

Court's Reasoning

The court applied a common-sense approach to define 'business premises,' referencing the legislative history of Section 119 and prior case law. It determined that the term 'on the business premises' included areas where the employee performed a significant portion of duties or where the employer conducted a significant portion of its business. The court reasoned that the house was essential for Lindeman's 24/7 availability and that the nearby lots were used for the hotel's parking needs. The decision emphasized that the house was part of the hotel's overall property and operations, not merely a separate residence. The court distinguished this case from *Commissioner v. Anderson*, where the lodging was not considered part of the business premises due to its distance from the workplace.

Practical Implications

This ruling expands the interpretation of 'business premises' to include properties that are integral to the business's operations, even if not contiguous to the main business site. It affects how lodging provided to employees should be analyzed for tax exclusion under Section 119, particularly in industries where employee availability is crucial. The decision may encourage businesses to strategically place employee housing to meet operational needs while benefiting from tax exclusions. Later cases, such as *Wilson v. United States*, have cited *Lindeman* to clarify the boundaries of 'business premises' in different contexts.