## *Feistman v. Commissioner, 63 T. C. 129 (1974)*

Mandatory contributions to retirement plans are includable in gross income even when required as a condition of employment.

### Summary

Eugene and Lorraine Feistman, employees of Los Angeles County and the Los Angeles City School District, challenged the inclusion of their mandatory retirement contributions in their gross income. The Tax Court ruled that these contributions were taxable, following established precedent. The court also upheld the disallowance of deductions for educational and commuting expenses, emphasizing the personal nature of these expenditures. The decision reinforces the principle that mandatory retirement contributions are part of taxable income and highlights the non-deductibility of personal expenses like education and commuting.

### Facts

Eugene Feistman was a deputy probation officer for Los Angeles County, and Lorraine Feistman was a teacher for the Los Angeles City School District. Both were required by law to participate in their respective retirement systems, with contributions withheld from their salaries. Eugene pursued a law degree and sought to deduct educational expenses, while both claimed deductions for their children's education and commuting costs. The Commissioner disallowed these deductions and included the retirement contributions in their gross income.

### Procedural History

The Feistmans filed a petition with the United States Tax Court after the Commissioner determined deficiencies in their income tax for the years 1968 through 1971. The court heard the case and issued a decision that upheld the Commissioner's determination on all issues.

### Issue(s)

1. Whether amounts withheld from the petitioners' salaries and contributed to their respective retirement funds are excludable from their gross income.
2. Whether the petitioners' educational expenses are deductible.
3. Whether the petitioners' commuting expenses are deductible.

### Holding

1. No, because the court followed established precedent that mandatory retirement contributions are includable in gross income.
2. No, because the educational expenses were personal and nondeductible under the applicable tax regulations.
3. No, because commuting expenses are considered personal and nondeductible

under established tax law.

## Court’s Reasoning

The court relied heavily on stare decisis, citing long-standing rulings and judicial decisions that mandatory contributions to retirement plans are part of gross income. The court noted that the retirement systems in question were similar to those of federal employees, which had been consistently treated as taxable income. The court also applied the principle that personal expenses, such as education and commuting, are not deductible. Specifically, Eugene’s law school expenses were deemed to qualify him for a new trade or business, making them nondeductible under IRS regulations. The court rejected the argument that commuting expenses were deductible, even though Eugene was required to have a car available at work, because he would have driven regardless due to inadequate public transportation.

## Practical Implications

This decision solidifies the rule that mandatory retirement contributions are taxable income, affecting how employees and employers must report and withhold taxes. Legal practitioners should advise clients that such contributions cannot be excluded from income, even if required by law. The ruling also serves as a reminder that educational and commuting expenses are generally personal and nondeductible, impacting tax planning strategies. Subsequent cases have continued to apply these principles, reinforcing their importance in tax law. Attorneys should consider these implications when advising clients on the tax treatment of mandatory retirement contributions and the deductibility of personal expenses.