Montgomery v. Commissioner, 64 T. C. 175 (1975)

For tax purposes, 'home' is the taxpayer's principal place of business, not necessarily their personal residence, affecting travel expense deductions.

Summary

George Montgomery, a Michigan state legislator, sought to deduct his living expenses incurred in Lansing, where he performed most of his legislative duties, while maintaining a residence in Detroit. The Tax Court held that Lansing was his principal place of business, thus disallowing the deduction under IRC section 162(a)(2) because he was not 'away from home' while in Lansing. The decision was based on the objective test of where the majority of his work occurred, not his personal residence location.

Facts

George Montgomery was a member of the Michigan House of Representatives from Detroit, spending most of his working time in Lansing. In 1971, he drove from Detroit to Lansing weekly for legislative sessions and committee meetings, totaling 151 days of attendance. He incurred $3,775 in living expenses in Lansing, partially reimbursed by the House. Montgomery claimed a deduction for these expenses, arguing Detroit was his 'home' due to his residence and legal obligations to maintain domicile there.

Procedural History

The Commissioner of Internal Revenue disallowed Montgomery's claimed deductions for living expenses in Lansing, allowing only deductions for transportation between Detroit and Lansing and living expenses in Detroit. Montgomery filed a petition with the United States Tax Court, which upheld the Commissioner's decision.

Issue(s)

1. Whether George Montgomery was 'away from home' within the meaning of IRC section 162(a)(2) while attending legislative sessions in Lansing, Michigan.
2. Whether Montgomery can deduct more than the $240 allowed by the Commissioner for his home office expenses in Detroit.

Holding

1. No, because Lansing was Montgomery's principal place of business where he performed most of his legislative duties.
2. No, because Montgomery failed to prove he was entitled to deduct more than the amount allowed for his home office expenses.

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Court’s Reasoning

The Tax Court applied an objective test to determine ‘home’ for travel expense deductions, focusing on where the taxpayer’s principal place of business is located. Montgomery’s principal duties as a legislator were in Lansing, where he spent the majority of his work time, thus making Lansing his ‘home’ for tax purposes. The court cited previous cases like *Commissioner v. Flowers* and *Markey v. Commissioner* to support this objective test. Montgomery’s argument that Detroit was his ‘home’ due to his legal requirement to maintain domicile there was dismissed, as it did not override the objective test. The court also upheld the Commissioner’s allowance for home office expenses, stating that Montgomery could only deduct actual expenses related to the office space, not an arbitrary fair rental value.

Practical Implications

This decision reinforces the principle that for travel expense deductions, ‘home’ is determined by the location of the taxpayer’s principal place of business, not their personal residence. Legal practitioners must advise clients, especially those with multiple work locations, to carefully analyze where the majority of their work is performed to determine deductible travel expenses. This case also affects state legislators and similar professionals who work in different locations from their residences, potentially limiting their ability to deduct living expenses in the location of their primary work duties. Subsequent cases have continued to apply this objective test, with variations in outcomes depending on the specific facts and the taxpayer’s employment circumstances.

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