Bowers v. Commissioner, 74 T. C. 50 (1980)

Moving expenses must be deducted in the year they are paid or incurred, even if the taxpayer later meets the employment duration requirement.

Summary

In Bowers v. Commissioner, the Tax Court held that moving expenses must be claimed in the year they are paid or incurred, not in a subsequent year when the taxpayer meets the required employment duration. The petitioner, a nurse, moved from Flagstaff to Phoenix in 1971 and incurred moving expenses. She attempted to deduct these expenses on her 1973 tax return, after meeting the 78-week employment requirement. The court ruled that the deduction was not allowable in 1973 because the expenses were paid in 1971, and the taxpayer had the option to claim the deduction in 1971 or file an amended return for that year.

Facts

Petitioner, a registered nurse, moved from Flagstaff to Phoenix in September 1971 to pursue self-employment as a private duty nurse. She sold her residence in Flagstaff and purchased a new one in Phoenix, incurring $3,666. 50 in moving expenses in 1971. Upon moving, she registered as a private duty nurse in Phoenix and has continued this work. On her 1973 tax return, she claimed a deduction for these moving expenses, which the IRS disallowed because the expenses were not paid or incurred in 1973.

Procedural History

The IRS issued a notice of deficiency for petitioner’s 1973 tax return, disallowing the moving expense deduction. Petitioner filed a petition with the Tax Court challenging this determination. The Tax Court heard the case and issued its opinion in 1980.

Issue(s)

1. Whether a taxpayer can deduct moving expenses paid in a prior year on a later year’s tax return, after meeting the employment duration requirement.

Holding

1. No, because moving expenses must be deducted in the year they are paid or incurred, as per section 217(a) of the Internal Revenue Code. The taxpayer had the option to claim the deduction in 1971 or file an amended return for that year.

Court’s Reasoning

The court applied section 217(a) of the Internal Revenue Code, which allows a deduction for moving expenses “paid or incurred during the taxable year. ” The

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court emphasized that for the petitioner, this was 1971, not 1973. The court also referenced section 1. 217-2(d)(2) of the Income Tax Regulations, which allows a taxpayer to elect to deduct moving expenses on the return for the year the expenses were paid or incurred, even if the employment duration requirement is not yet met. The court noted that the petitioner could have filed an amended return for 1971 to claim the deduction. The court rejected the petitioner's argument that she should be allowed to claim the deduction in 1973 because she met the 78-week employment requirement in that year, stating that the law and regulations did not support this position.

Practical Implications

This decision clarifies that moving expenses must be claimed in the year they are paid or incurred, not in a later year when the employment duration requirement is met. Taxpayers who incur moving expenses should consult with a tax professional to determine the appropriate year to claim the deduction, especially if they have not yet met the employment duration requirement. This case may affect how tax professionals advise clients on timing moving expense deductions. It also highlights the importance of filing amended returns when necessary to claim deductions in the correct year. Subsequent cases have generally followed this principle, emphasizing the importance of claiming deductions in the year the expenses are paid or incurred.

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