Norwood v. Commissioner, 66 T. C. 489 (1976)

Commuting expenses are deductible if the employment is temporary, but not if it becomes indefinite or permanent.

Summary

In Norwood v. Commissioner, the Tax Court ruled on whether Lawrence Norwood could deduct his daily commuting expenses from his home in Adelphi, Md. , to his work at the Calvert Cliffs Atomic Energy Plant in Lusby, Md. Norwood, a steamfitter, was initially sent to Lusby for what he believed would be a temporary six-month job. However, his employment extended beyond three years due to subsequent assignments. The court held that commuting expenses were deductible only until March 1972, when his initial temporary assignment ended, after which his continued employment at the site was deemed indefinite, rendering subsequent commuting expenses non-deductible.

Facts

Lawrence Norwood, a steamfitter and member of a Washington, D. C. , union, was sent to work at the Calvert Cliffs Atomic Energy Plant in Lusby, Md. , in October 1971 due to a local work shortage. He expected this assignment to last about six months. Norwood drove daily from his home in Adelphi, Md. , to Lusby, as there was no convenient public transportation. In March 1972, instead of being laid off, he was promoted to foreman for a new phase of the project, expected to last nine months. He continued at the site through various roles until an injury in December 1974, totaling over three years of employment at Lusby.

Procedural History

The IRS determined deficiencies in Norwood’s 1972 and 1973 federal income taxes, disallowing deductions for his commuting expenses. Norwood petitioned the Tax Court for a redetermination of these deficiencies. The court heard the case and issued its decision in 1976.

Issue(s)

1. Whether Norwood’s employment at the Calvert Cliffs Atomic Energy Plant was temporary or indefinite for the purpose of deducting commuting expenses under Section 162(a) of the Internal Revenue Code.

Holding

1. Yes, until March 1972, because Norwood’s initial employment at Lusby was temporary and expected to last only six months. No, after March 1972, because his continued employment became indefinite, as evidenced by his promotion and subsequent assignments at the same site.

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Court’s Reasoning

The court applied the legal principle that commuting expenses are deductible if employment is temporary, defined as lasting a short period of time. Norwood’s initial six-month assignment qualified as temporary, allowing deductions until March 1972. However, his promotion and subsequent roles at the same site transformed his employment into an indefinite status, which is not deductible. The court considered the overall duration of employment, the nature of successive assignments, and Norwood’s reasonable expectations of continued work at Lusby. The decision was influenced by the policy of distinguishing between temporary and indefinite employment, as established in Peurifoy v. Commissioner. The court noted, “Employment which is originally temporary may become indefinite due to changed circumstances, or simply by the passage of time. “

Practical Implications

Norwood v. Commissioner clarifies the criteria for deducting commuting expenses, emphasizing the distinction between temporary and indefinite employment. Practitioners should carefully assess the expected duration of employment when advising clients on potential deductions. The case impacts how workers in industries with project-based or temporary assignments approach tax planning. Businesses may need to provide clearer expectations about the duration of work assignments to assist employees with tax compliance. Subsequent cases, such as Turner v. Commissioner, have further refined these principles, but Norwood remains a key reference for understanding the temporary vs. indefinite employment distinction in the context of commuting expense deductions.

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