Foote v. Commissioner, 67 T. C. 1 (1976)

A taxpayer's home for tax purposes is determined objectively by their principal place of business, affecting the deductibility of travel and lodging expenses.

Summary

In Foote v. Commissioner, the U. S. Tax Court ruled on the deductibility of lodging and travel expenses for Virginia and Lou Foote. The couple owned a ranch near Lockhart, Texas, but lived in Austin, where Virginia worked as a school counselor. The court held that Virginia's Austin lodging expenses were not deductible because Austin was her tax home. Lou's expenses for lodging in Austin and commuting to the ranch were also non-deductible; the court determined that Lockhart was his tax home, but his Austin stay was for personal reasons, not business necessity. This decision underscores the importance of the objective test in determining a taxpayer's home for tax purposes and the non-deductibility of personal commuting expenses.

Facts

Virginia and Lou Foote owned a 320-acre ranch near Lockhart, Texas, about 30 miles from Austin. They previously lived on the ranch but moved to Austin in 1964 when Virginia took a job as a counselor with the Austin Independent School District, which required her to maintain an Austin address. During the 1972 school year, they lived in a trailer in Austin during the week and spent weekends at the ranch. Lou operated the ranch but was unable to employ someone to live there full-time. He made daily round trips from Austin to the ranch to care for the livestock. The Footes claimed deductions for their Austin lodging and Lou's travel expenses between Austin and Lockhart on their 1972 tax return.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in the Footes' 1972 federal income tax. The Footes petitioned the U. S. Tax Court, which heard the case and issued its decision on October 4, 1976.

Issue(s)

1. Whether Virginia Foote can deduct her expenditures for lodging in Austin as traveling expenses under section 162(a)(2) of the Internal Revenue Code of 1954.
2. Whether Lou Foote can deduct his automobile expenses incurred in traveling between Austin and the ranch in Lockhart as trade or business expenses.

Holding

1. No, because Austin was Virginia's tax home, and she was not "away from home" for tax purposes while living there.

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2. No, because Lou’s travel expenses were nondeductible commuting expenses, as he chose to live in Austin for personal reasons, not because his business required it.

Court’s Reasoning

The court applied an objective test to determine the Footes’ tax home, stating that a taxpayer’s home is generally where their principal place of business is located. For Virginia, Austin was her tax home because it was her primary place of employment. The court cited Commissioner v. Flowers, establishing that travel expenses must be reasonable, incurred while away from home, and in pursuit of a trade or business. Virginia’s lodging expenses in Austin were deemed personal and nondeductible. For Lou, the court determined that Lockhart was his tax home, but his presence in Austin was due to personal reasons (to be with his wife), not business necessity. Thus, his lodging expenses in Austin were also nondeductible. The court also ruled that Lou’s daily travel to the ranch was commuting and not deductible. The court rejected the argument that maintaining two homes due to employment considerations justified deductions, citing cases like Robert A. Coerver and Arthur B. Hammond, where similar arguments were dismissed.

Practical Implications

This decision reinforces the objective test for determining a taxpayer’s home for tax purposes, impacting how legal professionals advise clients on the deductibility of travel and lodging expenses. It clarifies that expenses related to maintaining a second home due to employment or family considerations are generally nondeductible. Practitioners must advise clients to consider their primary place of business when claiming deductions for lodging and travel. The ruling also affects how businesses structure employee compensation packages, particularly for those with multiple residences. Subsequent cases like Fausner v. Commissioner have continued to uphold the principles established in Foote, emphasizing the non-deductibility of commuting expenses regardless of the distance traveled.

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