Boyer v. Commissioner, 69 T. C. 521 (1977)

A minister's rental allowance is not excludable from gross income if not designated as such by the employer and if the minister's duties are not ordinarily those of a minister.

Summary

Lawrence Boyer, an ordained minister, taught business data processing at a secular state college and sought to exclude part of his salary as a ministerial rental allowance under Section 107 of the Internal Revenue Code. The Tax Court held that Boyer was not entitled to this exclusion because his salary was not designated as a rental allowance by his secular employer, and his teaching duties were not ordinarily those of a minister. The court also disallowed deductions for contributions to a personal fund, kennel expenses, and certain travel and legal expenses, emphasizing the necessity of a clear connection between the claimed deductions and the exercise of ministerial duties or a profit motive.

Facts

Lawrence Boyer, an ordained elder in the United Methodist Church, was employed as a business data processing teacher at McHenry County College, a secular state institution, during 1970 and 1971. Boyer requested and obtained this position for personal reasons before the college asked for his appointment by the church. His employment contract with the college did not designate any part of his salary as a rental allowance. Boyer also maintained a personal fund, operated a kennel, and incurred legal and travel expenses, claiming these as deductions on his tax returns.

Procedural History

The Commissioner of Internal Revenue issued a notice of deficiency to Boyer for the tax years 1970 and 1971. Boyer petitioned the U. S. Tax Court for a redetermination of the deficiency. The court heard arguments on the validity of Boyer's claimed exclusions and deductions, including the ministerial rental allowance, contributions to a personal fund, kennel expenses, and travel and legal expenses.

Issue(s)

1. Whether Boyer is entitled to exclude certain sums from his gross income as ministerial rental allowances under Section 107.
2. Whether Boyer's contributions to a personal fund qualify as charitable contributions under Section 170.
3. Whether Boyer's kennel operation was a business engaged in for profit, allowing deductions for related expenses.
4. Whether Boyer's legal expenses and travel expenses related to his teaching and ministry are deductible.

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Holding

1. No, because Boyer's salary was not designated as a rental allowance by his secular employer, and his duties as a teacher were not ordinarily those of a minister.
2. No, because the personal fund was not organized and operated exclusively for charitable purposes.
3. No, because Boyer did not operate the kennel for profit.
4. No, because Boyer's legal expenses were related to personal matters and his travel expenses were not substantiated or connected to his ministry or teaching.

Court's Reasoning

The court applied Section 107 and its regulations, which require that a rental allowance be designated in advance by the employer and used for housing, and that the services performed must be those ordinarily the duties of a minister. Boyer's teaching at a secular institution did not meet these criteria. The court also examined Section 170 and found that Boyer's personal fund did not qualify as a charitable organization due to its use for personal purposes. For the kennel operation, the court applied Section 183 and found no profit motive. Legal and travel expenses were disallowed under Sections 162 and 274 because they were personal or not substantiated. The court emphasized the need for a clear connection between claimed deductions and the exercise of ministerial duties or a profit motive, using direct quotes such as "In order to qualify for the exclusion, the home or rental allowance must be provided as remuneration for services which are ordinarily the duties of a minister of the gospel. "

Practical Implications

This decision clarifies that a ministerial rental allowance under Section 107 requires specific designation by the employer and that the services must be those ordinarily performed by a minister. It impacts how ministers working in secular settings should approach their tax planning, requiring clear documentation and a direct connection to ministerial duties for exclusions and deductions. The ruling also affects the analysis of business deductions, emphasizing the need for a profit motive, and the substantiation of travel and legal expenses. Subsequent cases, such as Tanenbaum v. Commissioner, have followed this reasoning, reinforcing the necessity of a genuine church-related purpose for ministerial tax benefits.

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