## *Jewell v. Commissioner, 69 T. C. 791 (1978)*

A taxpayer may deduct medical expenses paid for a dependent parent if the funds in a joint account are not considered reimbursement under state law.

### Summary

William C. Jewell sought deductions for medical expenses he paid for his parents from his personal funds. The Commissioner disallowed these deductions, arguing that Jewell's access to joint accounts with his parents constituted reimbursement. The Tax Court held that under Indiana law, the funds in these accounts were not Jewell's for his unrestricted use, thus he was not reimbursed for the medical expenses. The court emphasized that intent governs ownership in joint accounts, and since Jewell's parents did not intend to give him current ownership, he could claim the deductions. This case clarifies that deductions are not barred merely because a taxpayer has access to joint funds if state law deems them unavailable for personal use.

### Facts

William C. Jewell, an unmarried certified public accountant, paid for his parents' medical expenses from his personal checking account. His parents, Ruth and William H. Jewell, were in nursing homes and had joint savings accounts with Jewell, established for probate avoidance. The funds in these accounts came from his parents' social security, pensions, and interest, not from Jewell's contributions. Jewell did not use these funds for his own benefit during the tax year in question, except for a brief personal loan which he repaid.

### Procedural History

The Commissioner of Internal Revenue disallowed Jewell's claimed medical expense deductions, dependency exemption for his mother, and head of household filing status, asserting that the funds in the joint accounts constituted reimbursement. Jewell petitioned the U. S. Tax Court, which ruled in his favor, allowing the deductions and affirming his status as head of household.

### Issue(s)

1. Whether Jewell is entitled to deduct medical expenses paid for his parents from his personal funds, given his access to joint accounts with his parents.
2. Whether Jewell is entitled to a dependency exemption for his mother.
3. Whether Jewell is entitled to compute his tax on the basis of head of household status.

### Holding

1. Yes, because under Indiana law, the funds in the joint accounts were not available

 

for Jewell's unrestricted use, thus not constituting reimbursement.
2. Yes, because Jewell paid more than half of his mother's support and was not reimbursed.
3. Yes, because Jewell maintained a household for his dependent mother.

## Court's Reasoning

The court applied Indiana law to determine ownership rights in the joint accounts, focusing on the intent of the depositors. The court cited cases like *Ogle v. Barker* and *In Re Estate of Fanning* to establish that ownership depends on the depositor's intent, not just the account's joint nature. Jewell's father retained control over the accounts until his health declined, and the accounts were established for probate avoidance, not to grant Jewell current ownership. The court rejected the Commissioner's argument that potential future inheritance constituted reimbursement, as it was not a current right. The court also distinguished this case from others where taxpayers had directly used dependents' funds for their expenses, noting Jewell did not use the joint account funds for his own benefit during the relevant tax year.

## Practical Implications

This decision impacts how taxpayers with joint accounts can claim medical expense deductions for dependents. It clarifies that under state law, joint account funds may not constitute reimbursement if not intended for the taxpayer's current use. Practitioners should examine state law and account intent when advising clients on similar issues. The ruling may encourage taxpayers to structure accounts to avoid unintended tax consequences. Subsequent cases like *McDermid v. Commissioner* have applied similar principles, emphasizing the importance of fund source and control in determining reimbursement.