Daly v. Commissioner, 72 T. C. 190 (1979)

A traveling salesman's tax home is the principal place of business, not the personal residence, if the residence is maintained for personal reasons.

Summary

Lee Daly, a salesman for Myrtle Desk Co. , resided in McLean, Virginia, but his sales territory was in eastern Pennsylvania, Delaware, and New Jersey, centered around Philadelphia. He claimed deductions for travel between McLean and his sales territory. The Tax Court held that Philadelphia was his tax home, not McLean, because his residence was maintained for personal reasons. Consequently, travel expenses between McLean and Philadelphia were not deductible as business expenses. The decision underscores that a taxpayer's tax home is the principal place of business, not the personal residence, if the latter is chosen for personal convenience.

Facts

Lee E. Daly was employed as a district sales manager for Myrtle Desk Co. , assigned to a three-state sales territory consisting of eastern Pennsylvania, Delaware, and New Jersey. He resided in McLean, Virginia, and conducted administrative work from his home office there. In 1975, Daly made numerous sales trips, with the majority centered around Philadelphia. He sought to deduct travel expenses between McLean and his sales territory, as well as food and lodging costs incurred during these trips. The Commissioner of Internal Revenue disallowed these deductions, asserting that Philadelphia was Daly's tax home.

Procedural History

The Commissioner determined a deficiency in Daly's federal income tax for 1975 and disallowed $7,025. 95 of claimed deductions for travel, meals, and lodging expenses. After concessions by the Commissioner, $1,952. 95 remained in dispute. The case was brought before the United States Tax Court, which upheld the Commissioner's determination that Philadelphia was Daly's tax home.

Issue(s)

1. Whether Philadelphia, rather than McLean, Virginia, was Daly's tax home for the purpose of deducting travel expenses under section 162(a)(2), I. R. C. 1954?
2. Whether Daly's travel expenses between McLean and Philadelphia were deductible as business expenses?

Holding

1. Yes, because Daly's sales activity was centered in and around Philadelphia, and his residence in McLean was maintained for personal reasons.

© 2025 SCOTUSreports.com. All rights reserved.

2. No, because Daly’s travel expenses from McLean to Philadelphia were personal and not necessary for the conduct of his business.

Court’s Reasoning

The court applied the rule that a taxpayer’s tax home is the principal place of business, not the personal residence, if the residence is maintained for personal reasons. Daly’s sales territory was centered around Philadelphia, where he spent the majority of his business time. His decision to live in McLean was influenced by his wife’s job in Washington, D. C. , and the inconvenience of moving, which were personal choices unrelated to business necessity. The court cited *Commissioner v. Flowers* (326 U. S. 465 (1946)), emphasizing that deductible travel expenses must be necessary for the conduct of business and not incurred due to personal choice. The court also noted that Daly’s home office work was incidental to his sales activities, which could have been performed in Philadelphia. Therefore, expenses incurred due to his choice to reside in McLean were not deductible.

Practical Implications

This decision clarifies that for traveling salesmen and similar professionals, the tax home is typically where the majority of their business activity occurs, not their personal residence if maintained for personal reasons. Practitioners should advise clients to consider the location of their principal place of business when claiming travel deductions. Businesses employing traveling salespeople should be aware of the potential tax implications for their employees’ travel expenses. Subsequent cases have reinforced this principle, affecting how similar claims are analyzed and potentially impacting the tax planning strategies of individuals with significant travel requirements.

© 2025 SCOTUSreports.com. All rights reserved.