Elwood v. Commissioner, 73 T. C. 335 (1979)

Depreciation is not an expense paid within the meaning of section 213 of the Internal Revenue Code for purposes of medical expense deductions.

Summary

In Elwood v. Commissioner, the Tax Court ruled that depreciation of a personal automobile used for medical travel is not deductible as a medical expense under section 213 of the Internal Revenue Code. The petitioners, Jesse and Rose Elwood, sought to deduct their medical travel expenses using a higher mileage rate that included depreciation, but the court upheld the IRS's position that depreciation is not an expense paid for this purpose. The court distinguished the case from Commissioner v. Idaho Power Co. , which dealt with capitalization and not the timing of deductions, and adhered to prior rulings that disallowed depreciation as a medical expense.

Facts

Jesse Elwood required medical treatment in the Berkeley-San Francisco area, necessitating 48 round trips from his home in Ukiah, California, in 1974. Each round trip was 288 miles, totaling 13,824 miles for the year. The Elwoods claimed a medical expense deduction using a 12 cents per mile rate, which included depreciation. The IRS allowed only a 7 cents per mile rate, excluding depreciation, resulting in a $350 tax deficiency. The Elwoods argued that depreciation should be deductible under section 213 as an expense paid for medical care.

Procedural History

The Elwoods filed a petition with the Tax Court challenging the IRS's disallowance of depreciation as part of their medical expense deduction. The IRS conceded other issues, leaving only the depreciation question for the court's decision.

Issue(s)

1. Whether depreciation is an expense paid within the meaning of section 213 of the Internal Revenue Code for the purpose of medical expense deductions.

Holding

1. No, because depreciation is not considered an expense paid under section 213. The court followed precedent established in Gordon v. Commissioner and Weary v. United States, which held that depreciation is not deductible as a medical expense.

Court's Reasoning

The court reasoned that depreciation does not constitute an expense paid under section 213, adhering to the precedent set in Gordon v. Commissioner and Weary v. United States. The court distinguished the Elwoods' reliance on Commissioner v. Idaho Power Co. , noting that Idaho Power dealt with capitalization and not the timing of deductions, which is relevant to section 213. The court cited section 213(e)(1)(B), which defines medical care to include transportation costs but does not specifically mention depreciation. The court also pointed out that medical expenses are typically deducted in the year of acquisition, not over time as with depreciation. The court emphasized consistency with prior rulings and the Internal Revenue Code's treatment of medical expenses.

Practical Implications

This decision clarifies that depreciation cannot be included in medical expense deductions under section 213. Taxpayers must use the IRS-approved standard mileage rate for medical travel, which does not account for depreciation. Practitioners should advise clients to claim only the allowable rate for medical transportation deductions. This ruling may affect how taxpayers plan their medical travel expenses and could influence future IRS regulations on standard mileage rates. The decision also reinforces the distinction between expenses paid and depreciation, impacting how similar deductions are treated across different sections of the tax code.

