Billman v. Commissioner, 73 T. C. 139 (1979)

Economic loss due to currency devaluation is not deductible as a casualty loss under the Internal Revenue Code.

Summary

Bernard and But Thi Billman claimed a casualty loss deduction for their South Vietnamese piasters, which became worthless after the fall of Saigon in 1975. The Tax Court held that the loss was not deductible as a casualty loss under I. R. C. § 165(c)(3), reasoning that currency devaluation due to political and economic events did not constitute a "casualty" similar to fire, storm, or shipwreck. The decision was based on the statutory language and precedent cases involving property confiscation, emphasizing that the Billmans still possessed the currency. This ruling impacts how economic losses from currency fluctuations should be treated for tax purposes.

Facts

Bernard Billman worked in Saigon for the U. S. Navy from 1966 to 1970, where he met and planned to marry But Thi. They intended to retire in Vietnam and saved Vietnamese piasters for a future home purchase. Bernard was forced to return to the U. S. in 1970 due to a reduction in force, leaving the piasters with But Thi's family. But Thi joined him in 1972, and the currency was sent to them in 1975. On April 30, 1975, when Saigon fell to North Vietnamese forces, their piasters, valued at about $14,857, became worthless.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in the Billmans' 1975 federal income tax and issued a statutory notice of deficiency. The Billmans petitioned the U. S. Tax Court, seeking a casualty loss deduction for their devalued currency. The case was fully stipulated, and the Tax Court rendered a decision in favor of the Commissioner.

Issue(s)

1. Whether the Billmans' loss of value in their South Vietnamese piasters due to the fall of Saigon in 1975 constitutes a deductible casualty loss under I. R. C. § 165(c)(3).

Holding

1. No, because the loss from currency devaluation due to political and economic events does not qualify as a "casualty" within the meaning of I. R. C. § 165(c)(3), which specifies losses from "fire, storm, shipwreck, or other casualty, or from theft. "

Court's Reasoning

The Tax Court interpreted "other casualty" in I. R. C. § 165(c)(3) using the principle of ejusdem generis, requiring the loss to be similar in nature to fire, storm, or shipwreck. The court distinguished the Billmans' situation from cases where property was destroyed or confiscated, noting that they still held the piasters. The court emphasized that economic losses from currency devaluation are not within the statute's ambit, even though the Billmans suffered a real economic loss. Judge Tietjens, writing for the majority, stated, "We cannot believe that the Internal Revenue Code was designed to take care of all losses that the economic world may bestow on its inhabitants. " The court also referenced precedent cases where deductions were denied for losses due to government actions. A concurring opinion by Judge Tannenwald supported the majority's view but distinguished it from the Popa case, suggesting that currency devaluation might be akin to confiscation under local law. Judge Goffe dissented, arguing that the loss was sudden and cataclysmic, akin to a casualty loss.

Practical Implications

This decision clarifies that economic losses due to currency devaluation are not deductible as casualty losses under the Internal Revenue Code. Taxpayers facing similar situations should not expect to claim such losses on their tax returns. The ruling may influence how future legislation addresses economic losses from geopolitical events. It also highlights the distinction between physical property losses and economic losses in tax law. Subsequent cases have cited Billman when considering the scope of deductible losses, reinforcing the principle that only losses fitting the statutory definition of "casualty" are deductible.

