Brown v. Commissioner, 73 T. C. 156 (1979)

A taxpayer may deduct a portion of boarding school costs as child care expenses if incurred to enable gainful employment, even if other motives exist.

Summary

In Brown v. Commissioner, the Tax Court allowed a deduction for part of the costs of sending a child to boarding school as child care expenses under Section 214 of the Internal Revenue Code. Goldie Brown enrolled her son in a military academy to provide a safer environment and to enable her to work. The court held that expenses related to child care, as opposed to education, were deductible because they were necessary for her employment, despite other concurrent motives. The decision established that a 'but for' test applies, where the employment motive need not be the sole or dominant reason for the expense.

Facts

Goldie O. Brown moved to Philadelphia with her son Albert in 1972. Albert faced difficulties at Wagner Junior High School due to classroom disorders, teacher strikes, and gang fights, leading him to express reluctance to return. To provide a safer environment and to free herself to seek employment, Brown enrolled Albert at Valley Forge Military Academy in September 1973. She began working in December 1973 but was placed on disability in September 1975. The total cost at Valley Forge was $3,715 for 1973-74 and $3,840 for 1974-75. Brown claimed deductions of $2,600 for 1974 and $1,800 for 1975, which were disallowed by the IRS.

Procedural History

The IRS determined deficiencies in Brown's income tax for 1974 and 1975 and disallowed her claimed deductions for child care expenses. Brown filed a petition with the United States Tax Court, which consolidated two cases for trial, briefing, and opinion. The Tax Court ultimately allowed a partial deduction for the child care portion of the boarding school expenses.

Issue(s)

1. Whether a taxpayer is entitled to deduct any portion of the costs of sending a child to boarding school as child care expenses under Section 214(b)(2) of the Internal Revenue Code?

2. If so, how should the deductible portion of the expenses be determined?

Holding

1. Yes, because the taxpayer's expenses were incurred to enable her to be gainfully employed, even though she had other motives for sending her son to boarding

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school.

2. Yes, because the court accepted the respondent's estimate of the child care portion of the expenses in the absence of proof from the petitioner.

Court's Reasoning

The Tax Court applied a 'but for' test, holding that the employment motive need not be the sole or dominant reason for the expense but must be present. The court reasoned that Brown could not have worked without the child care arrangement provided by the boarding school. The court cited Section 1. 214A-1(c)(1)(i) of the Income Tax Regulations, which states that expenses are employment-related if they enable the taxpayer to be gainfully employed. The court distinguished between expenses for education and those for child care, allowing deductions only for the latter. Due to Brown's failure to provide evidence for allocation, the court accepted the IRS's estimates of $650 for 1974 and $705 for 1975 as the deductible amounts.

The dissent argued that the employment motive should be the primary reason for the expense and that a reasonableness test, rather than a sincerity test, should be used to determine necessity. They suggested that Brown might have worked to afford the school rather than sending her son to school to work, which would not meet the statutory test.

Practical Implications

This decision impacts how taxpayers can claim deductions for child care expenses when using boarding schools. It establishes that a portion of boarding school costs can be deductible if they are necessary for employment, even if other motives are present. Legal practitioners should advise clients to document the necessity of such expenses for employment and to allocate costs between education and care. The ruling may encourage more taxpayers to consider boarding school as a deductible child care option, potentially affecting school enrollment and tax planning strategies. Subsequent cases have applied this ruling to similar situations, while distinguishing cases where the employment motive was not sufficiently linked to the expense.

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