Goldstein v. Commissioner, 73 T. C. 347 (1979)

Cash payments for food and lodging, even if earmarked as such, are taxable as income if not provided in kind on the employer's business premises.

Summary

Carol J. Goldstein, a VISTA volunteer, received cash payments labeled as "food and lodging" from VISTA, which she argued should be excluded from her taxable income. The Tax Court ruled that these payments were taxable under section 61(a) as they were compensation for services rendered, and not excludable under section 119 because they were not provided in kind or on the employer's business premises. The decision reinforces the principle that cash allowances for food and lodging are treated as income, impacting how similar future payments will be taxed.

Facts

Carol J. Goldstein served as a VISTA volunteer from June 1973 to July 1975. Initially, VISTA provided her with room and board for two weeks, followed by a small living expense allowance. After this period, she found her own accommodations as directed by VISTA and began receiving weekly payments labeled as "food and lodging" in addition to her living allowance. In 1974, these payments totaled $2,855. 61, which Goldstein reported as employee business expenses on her tax return. The IRS determined a deficiency in her 1974 federal income tax due to these payments being treated as taxable income.

Procedural History

The IRS determined a deficiency in Goldstein's 1974 federal income tax. Goldstein filed a petition with the Tax Court, challenging the IRS's determination. The case was fully stipulated, and the Tax Court rendered its opinion affirming the IRS's position that the payments were taxable income.

Issue(s)

1. Whether the payments earmarked as "food and lodging" are includable in petitioner's gross income under section 61(a).
2. Whether, if the payments constitute gross income, these amounts are excludable from her income under section 119.

Holding

1. Yes, because the payments increased Goldstein's wealth and were compensation for her services, making them includable in gross income under section 61(a).
2. No, because the payments were not provided in kind on the business premises of the employer, nor were they for the convenience of the employer or a condition of employment as required by section 119.

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Court’s Reasoning

The court relied on the broad definition of gross income under section 61(a), citing Commissioner v. Glenshaw Glass Co. , which defines gross income as “undeniable accessions to wealth, clearly realized, and over which the taxpayers have complete dominion. ” The payments to Goldstein were deemed to increase her wealth and were thus taxable. The court also cited prior cases such as Higgins v. United States and McCrevan v. Commissioner, which held similar VISTA payments as taxable income. Regarding section 119, the court found that the payments did not meet the necessary criteria for exclusion: they were cash payments, not provided on the employer’s business premises, and not furnished for the convenience of the employer or as a condition of employment. The court rejected Goldstein’s argument that the entire Upper West Side of Manhattan was her business premises, aligning with previous rulings like Benninghoff v. Commissioner. The court also referenced Commissioner v. Kowalski, emphasizing that cash allowances for meals or lodging are taxable.

Practical Implications

This decision clarifies that cash payments for food and lodging are taxable income unless provided in kind on the employer’s business premises. For legal practitioners, this means advising clients who receive such payments to report them as income, unless they meet the stringent criteria of section 119. The ruling impacts how organizations like VISTA structure their compensation and how similar future cases will be analyzed. It also underscores the importance of distinguishing between cash and in-kind benefits in tax planning. Subsequent cases have followed this precedent, reinforcing the taxation of cash allowances in various employment contexts.

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