Chappie v. Commissioner, 73 T. C. 823 (1980)

State legislators can deduct living expenses only when away from their elected tax home on legislative days.

Summary

In Chappie v. Commissioner, the U. S. Tax Court clarified the tax treatment of per diem payments for state legislators under Section 604 of the Tax Reform Act of 1976. Eugene Chappie, a California State Assembly member, sought to deduct living expenses based on per diem payments received during his tenure. The court ruled that these deductions were allowable only for days spent away from his elected tax home in Sacramento on legislative business. The decision emphasized the necessity of being away from home overnight and clarified what constitutes a "legislative day," impacting how state legislators can claim deductions for their expenses.

Facts

Eugene Chappie, a California State Assembly member, received per diem payments from the state for each day the legislature was in session. Chappie elected his residence within his legislative district as his tax home under Section 604. He claimed deductions for the per diem received in 1973 and 1974, totaling $6,000 and $5,400, respectively. During these years, Chappie stayed overnight in Sacramento on some legislative days and also spent nights away from home within his district, seeking to become better acquainted with constituents.

Procedural History

Chappie and his wife filed a petition in the U. S. Tax Court after the Commissioner of Internal Revenue determined deficiencies in their federal income taxes for 1973 and 1974. The court addressed whether Chappie was entitled to deduct the per diem payments under Section 604 and what constituted a "legislative day" under the statute.

Issue(s)

1. Whether a state legislator is entitled to a deduction under Section 604 and Section 162(a) for the per diem deemed expended only when away from the elected tax home.
2. Whether days spent outside the capital in the local district, not on legislative business, qualify as "legislative days" under Section 604.

Holding

1. No, because Section 604 requires the state legislator to be away from the elected tax home to claim the deduction.
2. No, because days spent outside the capital in the local district do not qualify as

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“legislative days” under Section 604, as they do not involve the legislator’s physical presence at a legislative session or committee meeting.

Court’s Reasoning

The court interpreted Section 604 to require state legislators to be away from their elected tax home to claim deductions for living expenses, aligning with the “away from home” requirement of Section 162(a). The legislative history indicated that Section 604 aimed to provide consistent treatment for state legislators similar to that of members of Congress, necessitating an “away from home” condition. The court defined “legislative days” as days when the legislator’s physical presence was formally recorded at legislative sessions or committee meetings. Days spent in the district, although considered legislative days for per diem purposes by the state, did not qualify under Section 604 because they did not involve legislative participation. The court cited legislative reports and the statute’s text to support its interpretation, emphasizing that deductions are a matter of legislative grace and require adherence to statutory provisions.

Practical Implications

This decision clarifies that state legislators must be away from their elected tax home overnight to claim deductions for living expenses under Section 604. It distinguishes between days spent on legislative business in the capital and those spent in the district for non-legislative purposes. Practically, state legislators need to maintain accurate records of their overnight stays away from their tax home and ensure their presence is formally recorded at legislative sessions or committee meetings. This ruling impacts how state legislatures structure per diem payments and how legislators plan their travel and expenses. Subsequent cases and IRS guidance, such as Revenue Ruling 79-16, have applied or distinguished this ruling, affecting the deductibility of expenses for state legislators.

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