Wells v. Commissioner, 77 T. C. 908 (1981)

Reimbursement for moving expenses received by a federal employee must be included in gross income under Section 82 of the Internal Revenue Code.

Summary

In Wells v. Commissioner, the U. S. Tax Court ruled that reimbursements for moving expenses received by Thomas H. Wells, a U. S. Secret Service employee, were fully includable in his gross income under Section 82 of the Internal Revenue Code. Wells had moved from Virginia to Alabama and was reimbursed by the government for his moving expenses. Despite the legislative history of Public Law 89-516, which authorized such reimbursements, the court held that without a specific statutory exception, all such reimbursements must be taxed as income. This decision underscores the broad application of Section 82, which applies to reimbursements for moving expenses unless a specific exclusion is enacted by Congress.

Facts

Thomas H. Wells, employed by the U. S. Secret Service, moved from Virginia to Birmingham, Alabama, in 1976 due to a change in his post of duty. He incurred moving expenses totaling $9,542. 47, which were fully reimbursed by the U. S. Government. On his 1976 tax return, Wells claimed a deduction for the moving expenses but sought to exclude from his gross income the portion of the reimbursement that exceeded the deductible amount under Section 217, citing Public Law 89-516 as a basis for exclusion.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in Wells's federal income tax for 1976, asserting that the entire reimbursement for moving expenses should be included in gross income. Wells petitioned the U. S. Tax Court, where the case was submitted for decision under Rule 122. The court ultimately ruled in favor of the Commissioner, holding that the reimbursement was taxable under Section 82.

Issue(s)

1. Whether the amount received by Wells as reimbursement for moving expenses under Public Law 89-516 is excludable from gross income under Section 82 of the Internal Revenue Code.

Holding

1. No, because Section 82 requires the inclusion of all reimbursements for moving expenses in gross income unless a specific statutory exception applies, and no such exception was found for Wells's case.

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Court’s Reasoning

The court applied Section 82 of the Internal Revenue Code, which mandates that reimbursements for moving expenses be included in gross income. The court noted that while Public Law 89-516 authorized such reimbursements, it did not provide a statutory exception to Section 82. The court rejected Wells’s argument that the legislative history of Public Law 89-516 implied an exclusion, emphasizing that only enacted legislation can create such exceptions. Furthermore, the court distinguished the specific statutory exclusion granted to members of the Armed Forces under the Tax Reform Act of 1976, noting it was enacted to alleviate administrative burdens and did not extend to other federal employees like Wells. The court concluded that without a specific exception, Section 82’s general rule applied, requiring the inclusion of the entire reimbursement in Wells’s gross income.

Practical Implications

This decision clarifies that reimbursements for moving expenses received by federal employees, other than members of the Armed Forces, must be included in gross income under Section 82 unless Congress enacts a specific exclusion. Attorneys advising federal employees should ensure their clients understand that such reimbursements are taxable and plan accordingly. This ruling also underscores the importance of statutory interpretation in tax law, as only enacted laws can create exceptions to general rules. Subsequent cases involving similar issues, such as *McMahon v. Commissioner*, have followed this precedent, reinforcing the broad application of Section 82 to moving expense reimbursements.

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