John W. Green and Regina R. Z. Green, Petitioners v. Commissioner of Internal Revenue, Respondent, 78 T. C. 428 (1982)

A home office deduction under section 280A is permissible if the office is exclusively and regularly used by clients for dealing with the taxpayer, even if the dealings are via telephone.

Summary

John W. Green, an employee managing condominiums for Dillingham Land Corp. , claimed a home office deduction for a room used to handle client phone calls after work hours. The IRS denied the deduction, leading to a dispute over whether Green's use of his home office qualified under section 280A. The Tax Court ruled in Green's favor, holding that his home office was used exclusively and regularly by clients to deal with him in the normal course of business, even though the interactions were over the phone. The decision emphasized that the "dealing" requirement of section 280A can be met through telephone communications, provided they are substantial and integral to the business.

Facts

John W. Green worked as an account executive for Dillingham Land Corp. , managing seven condominiums. He spent 20% of his workday in an office provided by Dillingham and the rest in the field. Due to his schedule and that of his clients, Green was required to take business-related phone calls at home after work hours, averaging 2. 25 hours nightly, five nights a week. He converted a bedroom into an office solely for these calls, maintaining a telephone and necessary files there.

Procedural History

The IRS disallowed Green's $840 home office deduction for the 1976 tax year, asserting that the room did not qualify under section 280A. Green and his wife appealed to the U. S. Tax Court, which ruled in their favor, allowing the deduction.

Issue(s)

1. Whether a home office deduction under section 280A is allowable when the office is used exclusively and regularly for telephone communications with clients, as opposed to in-person meetings.

Holding

1. Yes, because the court determined that the term "dealing" in section 280A includes telephone interactions that are substantial and integral to the taxpayer's business, and the home office was used exclusively and regularly for this purpose.

Court's Reasoning

© 2025 SCOTUSreports.com. All rights reserved.

The Tax Court interpreted section 280A to allow deductions for home offices used by clients to "deal" with the taxpayer, even if those dealings occur over the telephone. The court emphasized that the legislative history and proposed regulations did not limit "dealing" to physical encounters. In Green's case, the court found that his after-hours telephone calls with clients were regular, substantial, and essential to his job. The court also noted that Green's employer required him to take these calls at home, satisfying the "convenience of his employer" requirement. The majority opinion, supported by a concurring opinion, rejected the dissent's argument that physical presence was necessary, pointing out that the statute's use of "meeting or dealing" suggests a broader interpretation. The court distinguished this case from others where the "appropriate and helpful" standard was applied, noting that section 280A was intended to provide clearer rules.

Practical Implications

This decision expands the scope of home office deductions by allowing them for spaces used primarily for telephone communications with clients. Attorneys advising clients on home office deductions should consider whether their clients' home offices are used regularly and exclusively for business-related phone calls, and whether these calls are substantial and integral to the business. The decision may encourage more taxpayers to claim such deductions, especially those in service industries who conduct much of their business over the phone. However, practitioners must ensure that clients meet the "exclusive use" and "convenience of the employer" requirements. Subsequent cases, such as *Solicitor v. Commissioner* (1984), have cited *Green* to support similar deductions, but have also emphasized the need for careful documentation to substantiate the business use of the home office.

© 2025 SCOTUSreports.com. All rights reserved.