

Lucas v. Commissioner, 79 T. C. 1 (1982)

Deductions for moving, legal, and professional expenses are limited to costs directly related to employment or income-producing activities, excluding costs for personal comfort or expenses reimbursable by an employer.

Summary

In *Lucas v. Commissioner*, the U. S. Tax Court addressed the deductibility of various expenses claimed by Roy Newton Lucas and Faye Broze Lucas for the tax year 1976. The court denied deductions for costs associated with converting electrical appliances, refitting carpets and drapes during a move, legal fees from a personal lawsuit, and professional dues that could have been reimbursed by Roy's employer. The court held that these expenses were not deductible because they were either not directly related to employment or income production, or they were reimbursable, thus not necessary expenses under the Internal Revenue Code.

Facts

Roy Newton Lucas and Faye Broze Lucas moved from Tokyo to Houston in January 1976 due to Roy's employment with Petreco Division of Petrolite Corp. They incurred costs converting their electrical appliances from Japan's 50-cycle, 100-volt system to the U. S. standard and paid for refitting carpets and drapes in their new leased apartment. Roy also paid legal fees in a lawsuit against his former spouse, Mary Ann Lucas, related to property and custody issues, and professional dues which his employer, Petreco, would have reimbursed if requested.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in the Lucases' 1976 federal income tax. The Lucases petitioned the U. S. Tax Court for a redetermination of this deficiency. After settlement of other issues, the court heard arguments on the deductibility of the moving, legal, and professional expenses.

Issue(s)

1. Whether the costs of converting electrical appliances and refitting carpets and drapes are deductible as moving expenses under Section 217 of the Internal Revenue Code.
2. Whether legal fees and witness transportation costs related to litigation are deductible under Section 212(2) as expenses for the conservation of property held for the production of income.
3. Whether professional dues are deductible under Section 162(a) when they could have been reimbursed by Roy's employer.

Holding

1. No, because the costs were for personal comfort and not incident to acquiring the lease.
2. No, because the litigation did not originate from the conservation of property held for income production.
3. No, because the dues were not necessary as they were reimbursable by Roy's employer.

Court's Reasoning

The court applied Section 217, which allows deductions for moving expenses but specifies that such expenses do not include costs unrelated to acquiring a lease, such as personal comfort. The court found that the costs of converting appliances and refitting carpets and drapes were for personal comfort and not deductible. For the legal fees, the court used the "origin-of-the-claim" test from *Commissioner v. Tellier* and *United States v. Gilmore*, determining that the litigation stemmed from personal marital issues rather than the conservation of income-producing property. Regarding the professional dues, the court cited *Heidt v. Commissioner* and other cases, ruling that expenses reimbursable by an employer are not necessary under Section 162(a). The court emphasized that the necessity of an expense is a key factor in determining its deductibility.

Practical Implications

This decision clarifies that moving expenses must be directly related to employment and not for personal comfort to be deductible. Legal fees must stem from income-producing activities to be deductible under Section 212(2). Professional expenses that are reimbursable by an employer are not deductible under Section 162(a). Attorneys and taxpayers should carefully document the purpose and necessity of claimed expenses, ensuring they relate directly to income production or employment and are not reimbursable. This case has been cited in subsequent cases to support the denial of deductions for expenses that do not meet the necessary criteria under the Internal Revenue Code.