***Smith v. Commissioner, 84 T. C. 88 (1985)***

Taxpayers must substantiate away-from-home travel expenses under Section 274(d), but away-from-home business mileage can be substantiated using standard mileage rates and proof of travel between cities.

**Summary**

In Smith v. Commissioner, the Tax Court addressed the substantiation requirements for business travel deductions under Section 274(d). The petitioners, Courtney and his wife, sought to deduct travel expenses and business mileage for Courtney's work as a community relations director for the Liberty Lobby. The court denied the per diem deduction for travel expenses due to lack of substantiation but allowed the business mileage deduction after finding adequate proof of travel between lecture sites. This case highlights the strict substantiation requirements for travel expenses and the more lenient standards for business mileage, impacting how similar deductions are claimed and substantiated.

**Facts**

Courtney Smith was self-employed as the community relations director for the Liberty Lobby, traveling extensively to lecture across the country in 1977 and 1978. He and his wife filed joint Federal income tax returns, claiming deductions for itemized expenses, away-from-home travel expenses on a per diem basis, and away-from-home business mileage. The Commissioner disallowed these deductions, asserting that the petitioners failed to substantiate them under Section 274(d). The petitioners provided announcement letters, newspaper clippings, and a personal calendar to substantiate the business mileage.

**Procedural History**

The Commissioner determined deficiencies in the petitioners' Federal income tax for 1977 and 1978. The petitioners challenged these deficiencies in the U. S. Tax Court, focusing on the deductibility of their claimed expenses. The court reviewed the evidence presented and issued its decision on the substantiation of the travel and mileage expenses.

**Issue(s)**

1. Whether the petitioners can deduct certain itemized deductions as conceded by the Commissioner.
2. Whether the petitioners can deduct away-from-home travel expenses computed on a per diem basis.
3. Whether the petitioners can deduct away-from-home business mileage.

**Holding**

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1. Yes, because the Commissioner conceded certain deductions, and the petitioners provided evidence for interest expense payments.
2. No, because the petitioners failed to substantiate these expenses under Section 274(d).
3. Yes, because the petitioners adequately substantiated the business mileage through proof of travel between lecture sites.

**Court's Reasoning**

The court applied Section 274(d), which requires substantiation of travel expenses by adequate records or corroborated statements. The petitioners' reliance on IRS publications for a per diem deduction was rejected, as these are not authoritative and apply only to employees. The court emphasized that each element of travel expenses (amount, time, place, and business purpose) must be substantiated for each expenditure, a burden the petitioners did not meet. For business mileage, the court accepted that the petitioners' evidence, including travel logs and proof of travel between cities, met the substantiation requirements. The court cited Section 1. 274-5(f)(3) of the Income Tax Regulations, which allows for mileage allowances to substantiate the amount of the expense. The court also noted that the business purpose of the travel was evident from the nature of the travel itself, as supported by Sherman v. Commissioner.

**Practical Implications**

This decision underscores the strict substantiation requirements for away-from-home travel expenses under Section 274(d), requiring detailed records for each expense. Taxpayers claiming such deductions must maintain meticulous records to meet these standards. In contrast, the court's ruling on business mileage provides a more lenient approach, allowing for substantiation through standard mileage rates and proof of travel between cities. This distinction impacts how taxpayers substantiate travel and mileage deductions, with implications for legal practice in tax law. Practitioners must advise clients on the necessity of detailed substantiation for travel expenses and the more straightforward process for business mileage. The case also highlights the importance of understanding the applicability of IRS publications and regulations, influencing how similar cases are analyzed and argued in the future.

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