Frankel v. Commissioner, 82 T. C. 318 (1984)

Physical presence of patients, clients, or customers is required in the home office for a deduction under Section 280A(c)(1)(B).

Summary

Max and Tobia Frankel sought home office deductions for 1977 and 1978. Max, an editor for the New York Times, used the home office for work-related calls but did not meet clients there. Tobia, a freelance writer, used it as her principal place of business in 1978. The Tax Court denied Max's deduction under Section 280A(c)(1)(B), ruling that clients must physically visit the home office. However, Tobia was allowed a full deduction for 1978 under Section 280A(c)(1)(A) for her year-long use of the office as her principal place of business.

Facts

Max Frankel, employed as the editorial page editor at the New York Times, used a room in his home exclusively as an office, where he conducted work-related telephone calls with politicians, labor leaders, and other public figures. He did not meet clients at home. Tobia Frankel, his wife, used the same office as her principal place of business for freelance writing in 1978. She completed a 35-day project for the Comptroller of the Currency but continued to use the office for revisions and other writing projects throughout the year.

Procedural History

The Frankels filed joint income tax returns claiming home office deductions for 1977 and 1978. The Commissioner of Internal Revenue disallowed the deductions, leading to a deficiency notice. The Tax Court case involved reviewing the Frankels' eligibility for deductions under Section 280A(c)(1)(B) for Max and Section 280A(c)(1)(A) for Tobia.

Issue(s)

1. Whether Max Frankel is entitled to a home office deduction for 1977 under Section 280A(c)(1)(B) based on his use of the office for telephone communications with clients of the New York Times.
2. Whether Tobia Frankel is entitled to a home office deduction for 1978 under Section 280A(c)(1)(A) based on her use of the office as her principal place of business throughout the year.

Holding

1. No, because the statute requires that patients, clients, or customers physically use the home office in meeting or dealing with the taxpayer.
2. Yes, because Tobia used the office as her principal place of business throughout

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1978, not just for the 35-day project.

Court's Reasoning

The Tax Court interpreted Section 280A(c)(1)(B) to require physical presence of clients in the home office, following the Ninth Circuit's reversal in *Green v. Commissioner*. The court found that Max's use of the office for telephone calls, despite being exclusive and regular, did not satisfy this requirement. For Tobia, the court rejected the Commissioner's attempt to prorate her deduction based on the 35-day project, affirming her right to a full deduction for the entire year under Section 280A(c)(1)(A). The court considered the legislative history and statutory language, emphasizing the need for clear, objective standards for home office deductions.

Practical Implications

This decision clarifies that under Section 280A(c)(1)(B), a home office deduction requires physical client visits. Legal practitioners must advise clients to ensure that any claimed home office meets this criterion. For self-employed individuals, using the home office as the principal place of business under Section 280A(c)(1)(A) remains a viable option for full-year deductions. The ruling impacts how professionals structure their workspaces and claim deductions, emphasizing the need for careful planning and documentation. Subsequent cases like *Green* and *Cousino* have reinforced this interpretation, affecting how similar claims are analyzed and adjudicated.

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