Horton v. Commissioner, 85 T. C. 52 (1985)

A taxpayer's tax home remains at their permanent residence if employment away from home is temporary.

Summary

In Horton v. Commissioner, the Tax Court ruled on the tax home of a professional hockey player, William Horton, who played for minor league teams in California during the 1978 tax year. The court determined that Horton's employment in California was temporary, thus his tax home remained in Flint, Michigan, where he and his wife maintained a permanent residence. This allowed Horton to deduct travel and living expenses incurred while playing hockey away from his tax home. The court's rationale hinged on the temporary nature of Horton's employment contracts and the fact that his wife's permanent job was in Michigan, supporting the conclusion that their tax home did not shift to California.

Facts

William Horton, a professional hockey player, played for minor league teams in California during the 1978 tax year. His employment contracts were limited to six months, covering the hockey season. Horton maintained a residence in Flint, Michigan, where his wife, Sharon, worked full-time at a telephone company, earning more than half of the family's income. Horton returned to Michigan between seasons and worked as a real estate agent during the off-season. The IRS challenged Horton's deductions for travel and living expenses, arguing his tax home was in California.

Procedural History

Horton filed a petition with the Tax Court challenging the IRS's determination of a tax deficiency and additions to tax for the 1978 tax year. The court dismissed the case against Sharon Horton due to her death and focused on the tax home issue regarding William Horton.

Issue(s)

1. Whether Horton's employment in California during 1978 was temporary or indefinite, affecting the location of his tax home.
2. Whether Horton was entitled to deductions for travel and living expenses incurred while playing hockey in California.

Holding

1. Yes, because Horton's employment contracts were limited to six months and his actions demonstrated a treatment of the employment as temporary, his tax home remained in Flint, Michigan.

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2. Yes, because Horton's employment was temporary, he was entitled to deduct travel and living expenses while away from his tax home in Michigan.

Court's Reasoning

The court applied the rule that a taxpayer's tax home is generally the vicinity of their principal place of business unless their employment away from home is temporary. The court determined that Horton's employment in California was temporary, as his contracts were for six months, and he returned to Michigan between seasons. The court emphasized that Horton's wife's permanent job in Michigan, where she earned the majority of the family's income, further supported the conclusion that their tax home remained in Michigan. The court cited cases like Groover v. Commissioner to support its application of the temporary employment exception to the tax home rule. The court also noted Horton's consistent treatment of his California employment as temporary, as evidenced by his return to Michigan and engagement in real estate work during the off-season.

Practical Implications

This decision clarifies that a taxpayer's tax home remains at their permanent residence if their employment away from home is temporary. For attorneys and tax professionals, this case provides guidance on how to assess a client's tax home, particularly for individuals with temporary employment in different locations. It highlights the importance of considering the taxpayer's family situation, such as a spouse's employment, when determining the tax home. The ruling also has implications for professional athletes and others with seasonal or temporary work, allowing them to deduct travel and living expenses incurred away from their permanent residence. Subsequent cases have followed this precedent when addressing similar tax home issues, reinforcing its significance in tax law practice.

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