Dobra v. Commissioner, 114 T. C. 345 (2000)

For a structure to qualify as the foster care provider's 'home' under section 131, the provider must reside in that structure.

Summary

In Dobra v. Commissioner, the Tax Court addressed whether payments received by the Dobras for adult foster care in non-residential properties were excludable from income under section 131. The court ruled that only payments for care provided in the Dobras' personal residence were excludable, as 'home' under the statute requires the foster care provider to live there. The decision hinged on the plain meaning of 'home', supported by dictionary definitions and prior case law. This ruling limits the exclusion to care provided in the provider's actual residence, impacting how foster care providers can structure their operations and claim tax exclusions.

Facts

Pavel and Ana Dobra owned four residential properties in Portland, Oregon, where they provided adult foster care. The Morris Street property was their personal residence. During 1992 and 1993, the Dobras received payments from the State of Oregon for care provided at all four properties. The Dobras claimed these payments were excludable from income under section 131. The Commissioner of Internal Revenue challenged the exclusion for payments related to the three properties where the Dobras did not reside.

Procedural History

The Commissioner issued a notice of deficiency for the tax years 1992 and 1993, asserting that the payments for the non-residential properties were not excludable. The Dobras petitioned the U. S. Tax Court for a redetermination of the deficiency. The case was submitted on stipulated facts, and the court issued its opinion, holding for the Commissioner regarding the non-residential properties.

Issue(s)

1. Whether a house that is not the foster care provider's residence may constitute 'the foster care provider's home' for purposes of section 131(b)(1)(B).

Holding

1. No, because the plain meaning of 'home' requires the foster care provider to reside in the house for it to qualify as 'the foster care provider's home' under section 131(b)(1)(B).

Court's Reasoning

The court relied on the ordinary, everyday meaning of 'home', which requires the foster care provider to live in the structure. The court cited dictionary definitions and prior Tax Court decisions on the head-of-household provisions to support this interpretation. The court rejected the Commissioner's argument based on a specialized definition of 'foster family home', as there was no evidence to support it. The court also noted that the legislative history of section 131 did not provide clear guidance on the meaning of 'home'. The court concluded that allowing the exclusion for non-residential properties would enable providers to operate an unlimited number of 'homes', which was inconsistent with the statute's intent.

Practical Implications

This decision clarifies that foster care providers can only exclude payments under section 131 for care provided in their actual residence. Providers must carefully structure their operations to ensure compliance, as operating multiple non-residential care facilities will not qualify for the exclusion. This ruling may impact how providers organize their businesses, potentially limiting the scale of operations that can benefit from the tax exclusion. Subsequent cases and IRS guidance will need to address the boundaries of what constitutes a 'home' in different care scenarios.

