

McAdams v. Commissioner, 118 T. C. 373 (U. S. Tax Ct. 2002)

In *McAdams v. Commissioner*, the U. S. Tax Court ruled that for tax purposes, married individuals must live in separate residences to qualify for a higher “base amount” when calculating the taxability of Social Security benefits under I. R. C. § 86(c)(1)(C)(ii). Thomas McAdams, who stayed over 30 days at his wife’s home despite maintaining separate bedrooms, was denied the higher base amount because he did not live apart from his spouse at all times during the taxable year. This decision clarifies the IRS’s definition of “living apart” and impacts how married taxpayers filing separately must consider their living arrangements when reporting Social Security income.

Parties

Thomas William McAdams, Petitioner, represented himself pro se. The Commissioner of Internal Revenue, Respondent, was represented by Kay Hill.

Facts

Thomas William McAdams, a 74-year-old retiree from the U. S. military, was married to Norma McAdams since 1947. During 1998, Norma resided at a Boise, Idaho address. Thomas used this address for mail and telephone messages and kept personal items there. From April 15 to October 15, Thomas lived in Alaska. For the rest of the year, he traveled in the continental U. S. in a fifth-wheel trailer, but when in Boise, he stayed at Norma’s residence for over 30 days, parking his trailer there and sleeping inside the house. Thomas and Norma maintained separate bedrooms during this time. In 1998, Thomas received \$11,181. 60 in Social Security benefits and filed his tax return as “married filing separately,” claiming a base amount of \$25,000 because he believed he lived apart from Norma for the entire year.

Procedural History

The Commissioner issued a notice of deficiency, increasing Thomas’s interest income by \$52 and reducing his base amount to zero, which increased the taxable amount of his Social Security benefits to \$9,218. Thomas petitioned the U. S. Tax Court to challenge this determination. The court’s review was de novo, examining the facts and law independently to determine whether Thomas lived apart from his spouse at all times during the taxable year.

Issue(s)

Whether, for the purposes of I. R. C. § 86(c)(1)(C)(ii), Thomas McAdams lived apart from his spouse at all times during the taxable year 1998?

Rule(s) of Law

I. R. C. § 86(c)(1) defines the “base amount” for calculating the taxability of Social

Security benefits. For married individuals filing separately who do not live apart from their spouse at all times during the taxable year, the base amount is zero. I. R. C. § 86(c)(1)(C)(ii) specifically requires that the taxpayer must not live with their spouse “at all times during the taxable year” to qualify for the higher base amount. The court referred to interpretations of similar statutory language in other sections (e. g. , §§ 22(e)(1), 66(a)(2)(A), 152(e)(1)(A)(iii), 219(g)(4)(B), and 469(i)(5)(B)(ii)) and case law (e. g. , *Costa v. Commissioner*, *Dawkins v. Commissioner*) to define “living apart” as living in separate residences.

Holding

The U. S. Tax Court held that Thomas McAdams did not live apart from his spouse at all times during the taxable year 1998 because he stayed at his wife’s residence for over 30 days, despite maintaining separate bedrooms. Therefore, his base amount for calculating the taxability of his Social Security benefits was zero under I. R. C. § 86(c)(1)(C)(ii).

Reasoning

The court interpreted “at all times during the taxable year” to mean the entire year, with no exceptions. The term “live apart” was interpreted to require living in separate residences, based on prior case law and the IRS’s regulations for similar provisions in the tax code. The court rejected Thomas’s argument that maintaining separate bedrooms within the same residence constituted living apart, emphasizing that physical separation in different residences is necessary. The court also noted that even if Thomas’s stays at the Boise address were considered visits, the duration exceeded temporary absences contemplated by regulations. The court’s analysis was rooted in statutory interpretation and adherence to the plain meaning of the text, supported by legislative history and judicial precedent.

Disposition

The U. S. Tax Court entered a decision for the Commissioner, affirming the notice of deficiency and denying Thomas McAdams’s petition.

Significance/Impact

The McAdams decision establishes a clear standard for what constitutes “living apart” under I. R. C. § 86(c)(1)(C)(ii), impacting how married taxpayers filing separately must consider their living arrangements when reporting Social Security income. The ruling emphasizes the importance of physical separation in different residences, rather than merely maintaining separate bedrooms within the same household. This case has been cited in subsequent tax litigation to clarify the definition of “living apart” for various tax provisions. Practically, it requires taxpayers to carefully assess their living situations to ensure compliance with the IRS’s interpretation of “living apart” when calculating their tax liabilities related to

Social Security benefits.