Stromme v. Commissioner, 138 T. C. 213, 2012 U. S. Tax Ct. LEXIS 10, 138 T. C. No. 9 (2012)

In Stromme v. Commissioner, the U. S. Tax Court ruled that foster care payments received by the Strommes were taxable income because the care was not provided in their home. The court defined 'home' as the residence where the taxpayers live their private life, not merely a place of business. This decision clarifies the criteria for the tax exclusion under IRC section 131, impacting how foster care providers structure their living and care arrangements.

Parties

Jonathan E. Stromme and Marylou Stromme were the petitioners, represented by Jay B. Kelly. The respondent was the Commissioner of Internal Revenue, represented by Christina L. Cook.

Facts

Jonathan and Marylou Stromme owned two houses during the years at issue: one on LaCasse Drive in Anoka County, where they lived with their family, and another on Emil Avenue in Shoreview, Ramsey County, which they operated as a group home for developmentally disabled adults. The Strommes received payments from Ramsey County for providing foster care at the Emil Avenue house, which they reported but excluded from income on their tax returns for 2005 and 2006. They did not live at the Emil Avenue house but worked there, with occasional overnight stays on a couch or sofa. The LaCasse Drive house served as their primary residence, where they conducted their personal and family life.

Procedural History

The Commissioner of Internal Revenue determined deficiencies and penalties against the Strommes for the tax years 2005 and 2006, asserting that the foster care payments were taxable income. The Strommes petitioned the U. S. Tax Court for a redetermination. The case was tried by Judge Holmes, who concurred with the findings of fact. The court reviewed the case and issued a unanimous opinion, with concurring opinions by Judges Holmes and Gustafson.

Issue(s)

Whether the payments received by the Strommes for providing foster care at the Emil Avenue house can be excluded from income under IRC section 131, given that the Strommes did not reside at the Emil Avenue house but at the LaCasse Drive house?

Rule(s) of Law

IRC section 131(b)(1) allows the exclusion of payments received for the care of a qualified foster individual in the foster care provider's home. The court interpreted 'home' as the place where the taxpayer resides, not merely where they own property or work. The court cited *Dobra v. Commissioner*, 111 T. C. 339 (1998), which held that 'home' means the residence of the taxpayer, not just a place of business.

Holding

The court held that the Strommes could not exclude the foster care payments from their income under IRC section 131 because they did not provide care in their home. The Emil Avenue house, where they provided care, was not their residence; their home was the LaCasse Drive house where they lived their private life.

Reasoning

The court reasoned that the plain language of IRC section 131 requires the care to be provided in the taxpayer's 'home', which the court interpreted as their residence, not merely a place of business. The court relied on the precedent set in *Dobra v. Commissioner*, which established that 'home' means the place where the taxpayer resides. The Strommes' argument that ownership of the Emil Avenue house was sufficient was rejected, as was their contention that their frequent presence at the Emil Avenue house made it their home. The court found that the Strommes' private life, including family celebrations and daily routines, took place at the LaCasse Drive house, making it their home under the statute. The court also considered the legislative history of section 131, which did not provide clear guidance beyond the statute's plain language. The concurring opinions by Judges Holmes and Gustafson further discussed the interpretation of 'home' and the implications of allowing multiple homes under section 131, but the majority opinion did not need to reach these issues to decide the case.

Disposition

The court ruled that the foster care payments were taxable income and entered a decision under Rule 155, allowing the Strommes an opportunity to compute their tax liability based on the court's holding.

Significance/Impact

The decision in *Stromme v. Commissioner* clarifies the definition of 'home' under IRC section 131, requiring foster care to be provided in the taxpayer's residence to qualify for the tax exclusion. This ruling impacts foster care providers who operate group homes separate from their primary residences, as they will not be able to exclude payments received for care provided at such locations. The case also reinforces the principle of narrowly construing exclusions from income, as articulated in *Commissioner v. Schleier*, 515 U. S. 323 (1995). The court's interpretation aligns with the legislative intent to simplify recordkeeping for foster care providers but emphasizes the requirement that care must be provided in the taxpayer’s home. Subsequent cases and IRS guidance will likely reference this decision when addressing similar issues under section 131.

