

Revenue Ruling 54-147

January 1954

Treatment of expenses incurred by professional baseball players, managers, coaches, and trainers for travel, meals and lodging while away from home in connection with their baseball duties.

Advice is requested concerning the deductibility, for Federal income tax purposes, of expenses incurred for travel, meals and lodging by professional baseball players, managers, coaches, and trainers, while away from their permanent residences in connection with the performance of their baseball duties.

The baseball season, in the major leagues, ordinarily runs for five and one-half months, during which period 154 games are played. One-half, or 77, of the games are played at the "club town," and 11 games are played in each of the seven other "club towns" in the league. In addition, the major league clubs begin spring training approximately one and one-half months prior to the season opening at locations distant from the "club town." Thus, the personnel of the major leagues are employed for approximately 7 months in each year in baseball activity. A substantial percentage of such personnel are also engaged, during the taxable year, in business other than professional baseball.

Section 23 (a) (1) (A), of the Internal Revenue Code provides that in computing net income there shall be allowed as deductions:

(a) EXPENSES.-

(1) TRADE OR BUSINESS EXPENSES.-

(A) In General.-All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including * * * traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; * * * .

In *Commissioner v. J. N. Flowers*, 326 U. S. 465, 90 L. Ed. 203, 66 S. Ct. 250, Ct. D. 1659, C. B. 1946-1, 57, the court said that-

Three conditions must be satisfied before a traveling expense deduction may be made under section 23 (a) (1) (A):

- (1) The expense must be a reasonable and necessary traveling expense, as that term is generally understood. This includes such items as transportation fares and food and lodging expenses incurred while traveling.
- (2) The expense must be incurred "while away from home."
- (3) The expense must be incurred in pursuit of business. This means that there must be a direct connection between the expenditure and the carrying on of the trade or business of the taxpayer or of his employer. Moreover, such an expenditure must be necessary or appropriate to the development and pursuit of the business or trade.

It is the well established position of the Internal Revenue Service that the term "home" as used in section 23 (a) (1) (A) of the Code means the taxpayer's principal place of business, post of duty, or place of employment. In *Mort L. Bixler v. Commissioner*, 5 B. T. A. 1181, the court said that a taxpayer may not keep his place of residence at a point where he is not engaged in carrying on a trade or business and take a deduction from gross income for his living expenses while away from home. Therefore, I. T. 3314, C. B. 1939-2, 152, must be applied in the case of taxpayers whose only business or employment is that as professional baseball players, managers, coaches, or trainers. Such taxpayers are entitled to deduct their traveling expenses, including meals and lodging, when away from the "club town" in pursuit of such business or employment.

Where a taxpayer is engaged in more than one trade or business and such businesses require a division of his time between two distant cities, he may deduct his traveling expenses incurred in discharging his duties at that city which is removed from his principal post of duty. *Walter F. Brown v. Commissioner*, 13 B. T. A. 832, acquiescence, C. B. VIII-1, 6 (1929); *Joseph W. Powell v. Commissioner*, 34 B. T. A. 655 (appealed on other issues); *Joseph H. Sherman, Jr. et ux. v. Commissioner*, 16 T. C. 332, acquiescence, C. B. 1951-2, 4. In other words, where a taxpayer has more than one place of business or employment his principal place of business or employment constitutes his "home" to serve as the point of origin for determining his deduction for traveling expenses.

In those cases, therefore, where baseball players, managers, coaches, or trainers also engage in another trade or business during the taxable year a factual determination must be made as to the situs of the taxpayer's principal business post, i.e., his tax "home." The more important factors to be considered in making a factual determination regarding the location of the taxpayer's principal place of business or tax "home" are the total time ordinarily spent by the taxpayer at each of his

business posts, the degree of business activity at each such post, and whether the financial return in respect of each post is significant or insignificant. No one factor is determinative, although the point last mentioned should be given great weight in cases where all services are performed as an "employee" or in those instances where a player for nominal consideration does some work for others primarily for the purpose of maintaining suitable physical condition. For the purpose of determining the situs of the major post of a professional baseball player, it is believed proper, insofar as the time factor is concerned, to consider only the period during which the player is at the business headquarters of his employer, i.e., the "club town."

In the case of professional baseball personnel who engage in a trade or business in addition to baseball during the taxable year, and whose principal place of business is found under the above tests to be located at a distance from the headquarters of the baseball club with which they are affiliated during the playing season, such taxpayers are entitled to deduct the cost of meals and lodging while at the "club town." On the other hand, where the "club town" is the taxpayers' principal place of business, such taxpayers are entitled to deduct their traveling expenses, including meals and lodging, while traveling away from their principal place of business, even though their permanent residence is located at the minor business post. In the latter case, only that portion of such expenses at his residence which is directly attributable to the taxpayer himself is a deductible expense for Federal income tax purposes.