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SUPREME COURT OF THE UNITED STATES

Syllabus

COMMISSIONER OF INTERNAL REVENUE v. SOLIMAN CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

No. 91-998. Argued October 5, 1992—Decided January 12, 1993

During the 1983 tax year, respondent Soliman, an anesthesiologist, spent 30 to 35 hours per week administering anesthesia and postoperative care in three hospitals, none of which provided him with an office. He also spent two to three hours per day in a room in his home that he used exclusively as an office, where he did not meet patients but did perform a variety of tasks related to his medical practice. His claimed federal income tax deduction for the portion of his household expenses attributable to the home office was disallowed by petitioner Commissioner, who determined that the office was not Soliman's "principal place of business" under 26 U.S.C. §280A(c)(1)(A). The Tax Court disagreed and allowed the deduction. In affirming, the Court of Appeals adopted the test used in the Tax Court, under which a home office may qualify as the "principal place of business" if (1) the office is essential to the taxpayer's business; (2) the taxpayer spends a substantial amount of time there; and (3) there is no other location available for performance of the business' office functions.

Held: Soliman was not entitled to a deduction for home office expenses. Pp. 4-10.

(a) The test used by the Court of Appeals is rejected because it fails to undertake a comparative analysis of the taxpayer's various business locations. This Court looks to words "ordinary, everyday senses" in interpreting a revenue statute's meaning. *E. g.*, *Malat v. Riddell*, 383 U.S. 569, 571. Section 280A(c)(1)(A) refers to the "principal place of business," and both the common sense and dictionary meanings of "principal" demonstrate that this constitutes the most important or significant place for the business, as determined through a comparison of all of the places where business is transacted. Contrary to the Court of Appeals' suggestion, the

statute does not allow for a deduction whenever a home office may be characterized as legitimate. Pp. 4-6.

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(b) Although no one test is always determinative and each case turns upon its particular facts, there are two primary considerations in deciding whether a home office is the principal place of business. First, the relative importance of the functions performed at each business location must be analyzed. This requires, as a preliminary step, an objective description of the particular characteristics of the business in question. If the nature of that business requires the taxpayer to meet or confer with a client or patient or to deliver goods or services to a customer, the place where that contact occurs, though not conclusive, must be given great weight. Moreover, if the nature of the business requires that its services be rendered or its goods be delivered at a facility with unique or special characteristics, this is a further and weighty consideration. Contrary to the Court of Appeals' ruling, the essentiality of the functions performed at home, while relevant, is not controlling, whereas the availability of alternative office space is irrelevant. Second—and particularly if the foregoing analysis yields no definitive answer—the decisionmaker should compare the amount of time spent at the home with the time spent in each of the other places where the business is transacted. If the comparative analysis required by the statute reveals that there is no principal place of business, the courts and the Commissioner should not strain to conclude that a home office qualifies by default. Pp. 6–9.

(c) Application of these principles demonstrates that Soliman's home office was not his principal place of business. His home office activities, from an objective standpoint, must be regarded as less important to his business than the tasks he performed at the hospitals. The actual treatment of patients at these facilities having special characteristics was the essence of the professional service he provided and was therefore the most significant event in the professional transaction. Moreover, the hours he spent in the home office, when compared to the time he spent at the hospitals, are insufficient to render the home office the principal place of business in light of all of the circumstances of this case. P. 10.

935 F. 2d 52, reversed.

KENNEDY, J., delivered the opinion of the Court, in which REHNQUIST, C. J., and WHITE, BLACKMUN, O'CONNOR, and SOUTER, JJ., joined. BLACKMUN, J., filed a concurring opinion. THOMAS, J., filed an opinion concurring in the judgment, in which SCALIA, J., joined. STEVENS, J., filed a dissenting opinion.