



69-SBE-031

BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of)
R. EDWIN WOOD)

Appearances:

For Appellant: R. Edwin Wood, in pro. per.

For Respondent: Robert S. Shelburne
Counsel

O P I N I O N

This appeal is made pursuant to section 18594 of the Revenue and Taxation Code from the action of the Franchise Tax Board on the protest of R. Edwin Wood against a proposed assessment of additional personal income tax in the amount of \$136.77 for the year 1965.

The question for decision is whether portions of the amounts paid by appellant in 1965 for his daughter's wedding and wedding reception were deductible by him as ordinary and necessary business expenses.

Appellant resides in the San Francisco Bay Area where he is a very successful life insurance agent for the Phoenix Mutual Life Insurance Company. He is a life member of the Million Dollar Round Table of the National Association of Life Underwriters because of his sales volume and a recipient of the industry's highest award for maintaining a low lapse record. Appellant frequently entertains existing and potential customers, and others through whom business may indirectly be obtained. While, he entertains rather extensively to establish a close personal relationship with customers; he has been cited by the Round Table for his success in achieving maximum results with a relatively modest spending of money. Appellant receives additional commissions and fees for

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servicing and entertaining existing customers and extra bonuses for maintaining a low lapse on existing business.

Appellant's daughter was married in 1965. Approximately 300 persons attended the wedding and reception. About one-third of these guests were business acquaintances of appellant and their wives, most of whom did not know appellant's daughter. Total expenses of appellant for the wedding and reception approximated \$4,100. He regarded \$2,800 of those expenses as deductible ordinary and necessary business expenses, as indicated by the following schedule:

<u>Item</u>	<u>Allocated as Business Expense</u>	<u>Percent of Total Expense Allocated to Business Expense</u>
Appellant's, formal suit rental	\$ 11.75	100%
Floral decorations for church	179.40	100%
Clothes/wedding gown for daughter	364.50	48%
Additional cost of wedding cake	75.00	60%
Additional invitation cost	150.00	60%
Club wedding reception cost, Sharon Heights Golf & Country Club	<u>2,019.35</u>	100%
TOTAL	\$2,800.00	

Included in the items not deducted was a \$125 expenditure for a post-reception party for family and friends at a private home in the San Francisco Peninsula Area.

Respondent denied the claimed \$2,800 deduction on the ground that appellant failed to prove the expenses constituted ordinary and necessary business expenses.

Appellant concedes that the cost of a wedding and reception would normally be considered of a non-deductible personal nature. He urges, however, that the wedding of his daughter provided him with an opportunity for business entertainment and that the additional.

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amounts deducted were specifically incurred for that purpose. He claims that if business guests had not been invited the small "family and friends" gathering would have been the only necessary reception. Appellant maintains that as a widower since 1959 his business entertaining was curtailed. He has furnished certain information relating to the amount of commissions and low lapse bonuses received and to be received on business controlled by the business guests. No business expense was claimed when appellant remarried approximately one year after his daughter's wedding. His wedding and reception cost was less than his daughter's nondeducted portion and he urges that this supports the propriety of his previous allocation of the wedding expenses paid for his daughter.

It is well settled that income tax deductions are a matter of legislative grace and the burden of clearly showing the right to the claimed deduction is imposed upon the taxpayer. (Deputy v. du Pont, 308 U.S. 488 [84 L. Ed. 416]; New Colonial Ice Co. v. Helvering, 292 U.S. 435 [78 L. Ed. 1348].) Section 17282 of the Revenue and Taxation Code provides, in part, that "no deduction shall be allowed for personal, living, or family expenses." Section 17202 of the Revenue and Taxation Code allows the deduction of "... all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business. . . ." The same statutory language is found in the federal law (Int. Rev. Code of 1954, §§ 162, 262).

Upon thorough review of the record we must conclude that the deduction was properly disallowed. Appellant has failed to establish that the expenses were "ordinary" business expenses. (Cf. Welch v. Helvering, 290 U.S. 111 [78 L. Ed. 212]; Deputy v. du Pont, supra.) Wedding and wedding reception expenses are commonly regarded as personal in nature. We are unaware of any court decision which holds that the expenditures for a wedding are "ordinary" business expenses. To the contrary, while concededly dicta, it has nevertheless been indicated by the United States Tax Court that wedding reception expenses should be treated as the personal expenses of the bride's father. (Haverhill Shoe Novelty Co., 15 T.C. 517.)

The expenditures for the bride's clothes, the appellant's rented suit, the flowers, the wedding cake and the invitations were by their very nature inherently personal or family expenses. Furthermore, there is little, if any, logic in the varying percentages of the deductions taken for the individual expenditures. Nor

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is it logical that the personal wedding and reception expenses of appellant would equal or approximate the amount of personal expenses incurred for his daughter's wedding and reception.

While appellant's business expenditures for the year in question were apparently below average and while appellant's business disbursements may be less in amount and more productive than those of some other insurance agents, these are not reasons for concluding that particular personal expenses are business expenses. Furthermore, while some business benefit was apparently derived from the wedding and reception, this also does not alter the fact that the expenses were essentially personal in nature,

ORDER

Pursuant to the views expressed in the opinion of the board on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, pursuant to section 18595 of the Revenue and Taxation Code, that the action of the Franchise Tax Board on the protest of R. Edwin Wood against a proposed assessment of additional personal income tax in the amount of \$136.77. for the year 1965 be and the same is hereby sustained.

Done at Sacramento, California, this 8th day of December, 1969, by the State Board of Equalization.

John W. Lynch, Chairman

George P. Smith, Member

Paul R. Frank, M e m b e r

_____, Member

_____, Member

ATTEST: J. Freeman, Secretary