

Ministerial Activity Ruled Hobby

Willie Lewis' income tax return included unreimbursed employee business expenses on Schedule A. IRS determined the expenses were not related to any EMPLOYEE activity.

Mr. Lewis then argued the expenses actually belonged on Schedule C as expenses related to a self-employment business activity of being a minister and an author. He did not report any income from this activity.

Tax Court denied the deductions stating Mr. Lewis did not engage in the activity in a business-like manner but instead operated the activity as a hobby citing, in part, Mr. Lewis' testimony that he didn't charge to perform any ministerial activities. Instead he presented to the Court a questionable employment contract with Goodnews Ministries which states he would be compensated at a rate of \$1 for each calendar year. He also did not show the Court any documentation to show he had received the \$1. Mr. Lewis supported his deduction with some credit card slips and a spreadsheet created well after the expenses were incurred and does not include the details required to support the deductions. Since the Court agreed with IRS on both the "unrelated to an employment activity" and the "hobby" status, the Court did into review the expenses in more detail.

Mr. Lewis testified he had been a return preparer for one of the major companies. The Court determine Mr. Lewis should therefore have been aware of the rules regarding keeping supporting documentation for activities. When looking at all the information in this case, the Court ruled the Accuracy Related penalty applied.

Willie & Barbara Lewis, TC Memo 2017-117

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