



United States Tax Court

Washington, DC 20217

ROBIN D. NEWTON,

Petitioner

v.

Docket No. 37691-21

COMMISSIONER OF INTERNAL
REVENUE,

Respondent

ORDER

Pursuant to Rule 152(b), Tax Court Rules of Practice and Procedure, it is

ORDERED that the Clerk of the Court shall transmit herewith to petitioner and to respondent a copy of the pages of the transcript in the above case before Judge Joseph W. Nega at Philadelphia, Pennsylvania, on October 14, 2026, containing his oral findings of fact and opinion rendered at the conclusion of the trial.

In accordance with the oral findings of fact and opinion, decision will be entered under Rule 155.

(Signed) Joseph W. Nega
Judge

Served 10/19/26

1 Bench Opinion by Judge Joseph W. Nega

2 October 14, 2026

3 Robin D. Newton v. Commissioner of Internal Revenue

4 Docket No. 37691-21

5 THE COURT: This is a bench opinion by Judge
6 Nega, Robin D. Newton, Petitioner v. Commissioner of the
7 Internal Revenue Service, Respondent, docket number 37691-
8 21. Date October 14th, 2026.

9 The Court has decided to render oral findings of
10 fact and opinion in this case and the following represents
11 the Court's oral findings of fact and opinion. The oral
12 findings of fact and opinion shall not be relied upon as
13 precedent in any other case. The oral findings of fact
14 and opinion are made pursuant to the authority granted by
15 section 7459(b) of the Internal Revenue Code and Tax Court
16 Rule 152. Rule references in this opinion are to the Tax
17 Court Rules of Practice and Procedure. Regulation
18 references are to the Code of Federal Regulations, Title
19 26, in effect at all relevant times and section references
20 are to the Internal Revenue Code, in effect at all
21 relevant times.

22 This case was tried in Philadelphia,
23 Pennsylvania on October 7, 2026. Petitioner Robin D.
24 Newton appeared pro se. Holly L. Dennehy appeared on
25 behalf of respondent.



1 This case arises from a petition filed in
2 response to a notice of deficiency respondent issued to
3 petitioner on September 29, 2021, regarding unreported
4 gross receipts and various disallowed deductions for tax
5 years 2016, 2017, and 2018 (tax years at issue). For tax
6 year 2016, respondent determined a deficiency of \$133,746
7 and asserted an accuracy-related penalty pursuant to
8 section 6662(a) of \$26,749.20. For tax year 2017,
9 respondent determined a deficiency of \$139,567 and
10 asserted an addition to tax pursuant to section 6651(a)(1)
11 of \$34,891.75 and an accuracy-related penalty pursuant to
12 section 6662(a) of \$27,913.40. For tax year 2018,
13 respondent determined a deficiency of \$204,329 and an
14 accuracy-related penalty pursuant to section 6662(a) of
15 \$40,865.80.

16 After concessions, the issues remaining for
17 decision are: (1) whether petitioner is entitled to a
18 deduction for travel in the amount of \$16,800 for tax year
19 2017; (2) whether petitioner is entitled to a deduction
20 for travel in the amount of \$3,112 for tax year 2018; (3)
21 whether petitioner is entitled to a deduction for meals
22 and entertainment in the amount of \$20,000 for tax year
23 2017; (4) whether petitioner is entitled to a deduction
24 for meals and entertainment in the amount of \$21,414 for
25 tax year 2018; (5) whether petitioner is entitled to a



1 deduction for wages misclassified as contract labor in the
2 amount of \$22,524 for tax year 2017; (6) whether
3 petitioner is entitled to a deduction for office expenses
4 in the amount of \$23,661 for tax year 2018; (7) whether
5 petitioner is entitled to a deduction for rent or lease of
6 vehicles, equipment, or other business property in the
7 amount of \$55,684 for tax year 2018; (8) whether
8 petitioner is liable for an addition to tax under section
9 6651(a)(1) in the amount of \$34,891.75 for tax year 2017;
10 and (9) whether petitioner is liable for accuracy-related
11 penalties pursuant to section 6662(a) for substantial
12 understatements of tax or negligence in the amounts of
13 \$26,749.20, \$27,913.40, and \$40,865.80 for tax years 2016,
14 2017, and 2018, respectively.

15 On the evidence before us, and using the burden-
16 of-proof principles explained below, the Court finds the
17 following facts:

18 FINDINGS OF FACT

19 Some of the facts have been stipulated. The
20 parties' stipulated facts are incorporated by this
21 reference and are so found. Petitioner resided in
22 Pennsylvania at the time she filed her petition in this
23 case.

24 During the tax years at issue, petitioner
25 operated two locations of a daycare service. The daycare



1 offered subsidized childcare for low-income families and
2 received most of its income from the state of
3 Pennsylvania.

4 On April 3, 2017, petitioner timely filed for
5 tax year 2016 a Form 1040, U.S. Individual Income Tax
6 Return, including a Schedule C, Profit and Loss From
7 Business (Sole Proprietorship), wherein petitioner
8 reported \$15,000 in gross receipts with no expenses from
9 her daycare service. On February 28, 2019, petitioner
10 filed an amended Form 1040-X for tax year 2016, reporting
11 \$318,969 of gross receipts and various expenses totaling
12 \$303,968. Petitioner filed a Form 1040 for tax year 2017
13 on May 13, 2019, reporting \$273,836 in gross receipts and
14 various expenses totaling \$282,881. That same day,
15 petitioner also filed a Form 1040 for tax year 2018
16 reporting \$263,688 in gross receipts and various expenses
17 totaling \$263,688. Petitioner's 2018 tax return was
18 timely filed because of an extension. However, petitioner
19 did not receive an extension for her 2017 return, so it
20 was untimely.

21 Respondent selected petitioner's 2016, 2017, and
22 2018 returns for examination. As part of the examination,
23 respondent performed a bank deposits analysis of the seven
24 bank accounts maintained by petitioner during the tax
25 years at issue. The bank deposits analysis found that



1 petitioner had gross receipts totaling \$609,868.03,
2 \$642,291.43, and \$738,590.33 in tax years 2016, 2017, and
3 2018, respectively.

4 Respondent evaluated the records petitioner
5 produced and allowed deductions for those expenses that
6 petitioner was able to substantiate during the
7 examination. At trial on October 7, 2026, as a
8 preliminary matter, respondent allowed additional
9 deductions based on records produced by petitioner at
10 calendar call on October 5, 2026. On that basis,
11 respondent allowed a rental expense of \$47,400 for each
12 taxable year at issue; an insurance expense of \$2,908 for
13 tax year 2016; a repair and maintenance expense of \$11,533
14 for tax year 2016; a supplies expense of \$941.45 for tax
15 year 2016; a training or others expense of \$577 for tax
16 year 2016; and a repair and maintenance expense of \$12,887
17 for tax year 2018. We are left to consider whether
18 petitioner is entitled to the remaining Schedule C
19 deductions disallowed by respondent and liable for the
20 penalties and additions to tax asserted in the notice of
21 deficiency.

22 OPINION

23 I. Burden of Proof

24 The Commissioner's determinations in a notice of
25 deficiency are generally presumed correct, and the



1 taxpayer bears the burden of proving them erroneous. See
2 Rule 142(a); *Welch v. Helvering*, 290 U.S. 111, 115 (1933).
3 Deductions and credits are a matter of legislative grace,
4 and the taxpayer bears the burden of proving that he or
5 she is entitled to any deduction or credit claimed. See
6 Rule 142(a); *Deputy v. Du Pont*, 308 U.S. 488, 493 (1940);
7 *New Colonial Ice. Co. v. Helvering*, 292 U.S. 435, 440
8 (1934). The burden of proof may shift to the Commissioner
9 if the taxpayer establishes that he or she complied with
10 the requirements of section 7491(a)(2)(A) and (B) to
11 substantiate items, to maintain records, and to cooperate
12 fully with the Commissioner's reasonable requests.

13 The resolution of the issues in this case,
14 however, does not depend on which party has the burden of
15 proof. We instead resolve those issues based on the
16 preponderance of evidence in the record. See *Dagres v.*
17 *Commissioner*, 136 T.C. 263, 279 (2011).

18 II. Schedule C Deductions

19 Section 162 allows as a deduction all ordinary
20 and necessary expenses paid or incurred during the taxable
21 year in carrying on any trade or business. An expense is
22 ordinary if it is normal, usual, or customary in the
23 taxpayer's trade or business, and it is necessary if
24 appropriate or helpful for such business. See
25 *Commissioner v. Heininger*, 320 U.S. 467, 471 (1943);

1 *Deputy*, 308 U.S. at 495. No deduction may be allowed for
2 personal, living, or family expenses unless the Code
3 expressly provides otherwise. § 262(a).

4 Taxpayers must satisfy the specific requirements
5 for any deduction claimed, and are required to maintain
6 records sufficient to substantiate those claims. § 6001;
7 Treas. Reg. § 1.6001-1(a), (e). The taxpayer's burden of
8 proof requires that the taxpayer use the evidence to
9 demonstrate that the taxpayer should prevail—it is not
10 enough to deliver a pile of unorganized receipts to the
11 Court. *See Hale v. Commissioner*, T.C. Memo. 2010-229, 100
12 T.C.M. (CCH) 345, 347; *Patterson v. Commissioner*, T.C.
13 Memo. 1979-362.

14 Petitioner's testimony regarding her entitlement
15 to the disputed deductions in excess of those allowed by
16 respondent was wholly unconvincing. Petitioner produced
17 an assortment of receipts in support of her position, but
18 appeared unaware of the amount of any deduction she was
19 attempting to substantiate, let alone which of or how
20 those receipts established entitlement thereof. We find
21 petitioner's testimony about deductible expenses related
22 to meals to be particularly telling; we cannot credit her
23 testimony claiming that she paid \$100,000 in cash for food
24 each taxable year. In addition, her testimony appeared to
25 start with the amount of her payment from the state to

1 then deduce the amount of her deductible expenses for
2 groceries, labor, and transportation related to the
3 subsidized meal program. Further, the reliability of this
4 testimony is diminished by petitioner's admission that the
5 program was not audited by the state in the years at
6 issue. We find petitioner's testimony to be a
7 rationalization of her billing to the state rather than a
8 colorable attempt to accurately recreate her books and
9 records.

10 Petitioner fell woefully short of her
11 recordkeeping duty and failed to present any useful
12 evidence establishing her entitlement to any additional
13 Schedule C deductions beyond those previously allowed by
14 respondent for the tax years at issue. Accordingly, we
15 sustain respondent's determination with respect to the
16 remaining Schedule C deductions.

17 III. Additions to Tax

18 Section 6651(a)(1) imposes upon taxpayers an
19 addition to tax for failure to file a timely return. This
20 addition to tax will not apply if the taxpayer shows the
21 failure was due to reasonable cause, not willful neglect.
22 *See United States v. Boyle*, 469 U.S. 241, 245 (1985).
23 Petitioner conceded that she failed to timely file her
24 return for tax year 2017 and did not offer any evidence
25 demonstrating reasonable cause for her late filing. We



1 therefore conclude that petitioner is liable for the
2 section 6651(a) (1) addition to tax for tax year 2017.

3 IV. Section 6662(a) Penalties

4 Section 6662(a) and (b) (1) and (2) imposes a 20%
5 accuracy-related penalty on any portion of an underpayment
6 of federal income tax that is attributable to negligence
7 or disregard of rules or regulations or to a substantial
8 understatement of income tax. Negligence includes any
9 failure to make a reasonable attempt to comply with the
10 provisions of the Internal Revenue Code and defines
11 disregard as any careless, reckless, or intentional
12 disregard. See Treas. Reg. § 1.6662-3(b) (1) and (2).
13 Negligence also includes a taxpayer's failure to "keep
14 adequate books and records or to substantiate items
15 properly." See *id.* An understatement of federal income
16 tax is substantial if the amount of the understatement for
17 the tax year exceeds the greater of 10% of the tax
18 required to be shown on the return or \$5,000. §
19 6662(d) (1) (A).

20 The Commissioner bears the burden of production
21 with respect to the accuracy-related penalty imposed by
22 section 6662(a). § 7491(c). Section 6751(b) (1) requires
23 personal written supervisory approval of the initial
24 determination of a penalty assessment. As a threshold
25 matter, the Commissioner must show that he complied with



1 section 6751(b) (1). See *Chai v. Commissioner*, 851 F.3d
2 190, 221 (2d Cir. 2017), *aff'g in part, rev'g in part* T.C.
3 Memo. 2015-42; *Fumo v. Commissioner*, T.C. Memo. 2025-97,
4 at *81. Once the burden of production is met, the burden
5 of proof shifts to the taxpayer to show that the penalty
6 should not apply. The section 6662(a) accuracy-related
7 penalty will not apply with respect to any portion of an
8 underpayment if it is shown that there was reasonable
9 cause and that the taxpayer acted in good faith. *Higbee*
10 *v. Commissioner*, 116 T.C. 438, 446-447 (2001). Respondent
11 has met his burden with respect to the section 6662(a) by
12 producing a civil penalty approval form establishing
13 supervisory approval of the imposition of penalties.
14 Petitioner's shortcoming in her recordkeeping duty, as
15 discussed above, is sufficient to demonstrate negligence
16 or disregard within the meaning of section 6662(b) (1).
17 Petitioner testified at trial to her dedication for her
18 work and, though well-meaning, petitioner's testimony does
19 not establish the requisite reasonable cause to excuse
20 liability under section 6662(a).

21 Application of section 6662(b) (2) depends on the
22 Rule 155 computations; the penalty applies if the amount
23 of the understatement exceeds the applicable threshold.
24 Either ground for imposing a penalty is sufficient, but
25 only a single accuracy-related penalty will apply to any



1 given portion of the underpayment. See Treas. Reg. §
2 1.6662-2(c). Because petitioner's conduct was negligent
3 and the underpayment potentially substantial, we conclude
4 that she is liable for the section 6662(a) penalty for the
5 tax years at issue.

6 V. Conclusion

7 Accordingly, a decision will be entered under
8 Rule 155. This concludes the Court's oral findings of
9 fact and opinion in this case.

10 (Whereupon, at 11:58 a.m., the above-entitled
11 matter was concluded.)

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