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**Eva Rosenberg** • Feb. 22, 2014

I have been preparing tax returns for a very, very long time. Yet, I usually feel as if I know nothing. So, when someone asks me a question, even when I am pretty sure of the answer, I look it up. This weekend, I make a cardinal error when answering someone at TaxMama.com. I used logic to answer the question. [Horrors!]

Beth asked if an S corporation client's \$20,000 Department of Transportation relocation assistance payment was taxable, or was it going to end up as a Schedule M-1 adjustment (book vs tax difference).

Their client was a tenant in a building that was in the way of a future road. So, the tenant was paid by DOT to move. Logically, you would think this would be taxable income – or a reduction of the rental expense. No?

Get this. [Beth didn't believe me](#). Thank goodness! She did more research and reported that she had found a Private Letter Ruling ([PLR-153481-12](#)).

Here's the conclusion in the PLR:

Taxpayer may not deduct these payments. The relocation payments and additional payments bear a direct connection to the expenses Taxpayer has incurred and anticipates it will incur for moving its operations from the Business Premises and its cost to purchase equipment that it cannot feasibly remove from the Business Premises.

The lesson here?

Never rely on logic. Look everything up.

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