United States Tax Court

T.C. Memo. 2026-69

SULEIMAN SAMI,
Petitioner

v.

COMMISSIONER OF INTERNAL REVENUE,
Respondent

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Docket Nos. 8834-23, 16512-23. Filed August 18, 2026.

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Frank Agostino, *Thomas C. Figgatt, Sr.*, *Shan H. Kadkoy*, and *Jonathan A. Zandi*, for petitioner.

Mehrin Bakht, *Theresa G. McQueeney*, and *Brian E. Peterson*, for respondent in docket No. 8834-23.

Mehrin Bakht and *Brian E. Peterson*, for respondent in docket No. 16512-23.

MEMORANDUM FINDINGS OF FACT AND OPINION

COPELAND, *Judge*: Suleiman Sami is an information technology (IT) manager, chauffeur, and ticket reseller. He likewise claims to be a social media influencer who has hundreds of thousands of followers on social media.

In tax years 2019, 2020, and 2021 (years at issue) he paid large sums for exclusive experiences—including, for example, a trip to the Grammys, attending the Emmys, and meet-and-greets with Matt Damon, Benedict Cumberbatch, Mark Ruffalo, and other celebrities. He then attempted to deduct the payments, first as charitable contributions, now as marketing expenses. The Commissioner disallowed these and numerous other deductions in Notices of Deficiency dated March 15, 2023 (for tax years 2019 and 2020), and August 9, 2023

[*2] (for tax year 2021), and further determined section 6662(a)[1] accuracy-related penalties. The Commissioner determined the following deficiencies and penalties:

Year	*Deficiency*	*I.R.C. § 6662(a) Penalty*
2019	$63,219	$12,644
2020	27,421	5,484
2021	39,910	7,982

Following concessions, we must determine the correct treatment of Mr. Sami's expenses and whether he is liable for penalties.

FINDINGS OF FACT

The following facts are based on the pleadings, the parties' First Stipulation of Facts with attached Exhibits, testimony at trial, and the additional Exhibits admitted into evidence.

I. *Education and Professional Background*

Mr. Sami resides in New York. He received bachelor's and master's degrees in accounting from St. John's University in Queens, New York City. He then worked for PricewaterhouseCoopers in the risk assurance group.

II. *Relevant Income Sources During the Years at Issue*

A. *JetBlue*

During the years at issue, Mr. Sami was a full-time employee of JetBlue in its IT department. He worked out of JetBlue's office in Queens, taking the subway (about 40 minutes each way) to and from work, though he worked remotely during the COVID–19 pandemic. The company placed no restrictions on when he had to work, so long as he met his 40-hours-per-week requirement.

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[1] Unless otherwise indicated, statutory references are to the Internal Revenue Code, Title 26 U.S.C. (I.R.C.), in effect at all relevant times, regulation references are to the Code of Federal Regulations, Title 26 (Treas. Reg.), in effect at all relevant times, and Rule references are to the Tax Court Rules of Practice and Procedure. Unless otherwise noted, all monetary amounts are rounded to the nearest dollar.

[*3] JetBlue gave him an employee discount on certain airfare, which he occasionally used in his other business.

B. *S Sami Services LLC*

Mr. Sami wholly owned S Sami Services LLC (S Sami Services), which was treated for federal income tax purposes as a disregarded entity.[2] According to Mr. Sami, S Sami Services' business had three components: (1) transportation services, (2) event ticket sales, and (3) social media influencing. Mr. Sami reported the combined activities of S Sami Services on Schedule C, Profit or Loss From Business. S Sami Services had gross receipts of $169,532, $93,229, and $133,252 in tax years 2019, 2020, and 2021, respectively.[3] Next, we discuss each business component.

1. *Transportation Services*

The epitome of a go-getter, Mr. Sami provided transportation around the New York metropolitan area and beyond. He did not have a New York City Taxi and Limousine Commission (TLC) license and did not drive for a rideshare service such as Uber or Lyft. Instead, he drove only individuals he personally knew, in an attempt to avoid TLC's licensure requirements.

For this transportation business, Mr. Sami owned or leased a Mercedes-Benz S550 and a Chevrolet Traverse (which he swapped out in 2020 for a Lincoln Aviator). Each car had a black exterior with a black leather interior. Mr. Sami had two cousins who would at times help him with the transportation business. For example, if a large group leaving Madison Square Garden wanted to get dropped off at two different locations in New Jersey, Mr. Sami would drive one vehicle to one location, and a cousin would drive the other to the second location.

Mr. Sami did not keep records of the exact mileage driven over the years, or of the exact mileage of each trip. He did, however, keep records of the starting and ending cities (or boroughs, if in New York City) of each trip, and he later used these along with Google Maps to

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[2] Any domestic single-member limited liability company that does not elect to be classified as a corporation is "[d]isregarded as an entity separate from its owner if it has a single owner." Treas. Reg. § 301.7701-3(b)(1)(ii).

[3] Most if not all these gross receipts were earned from providing transportation services; however, a small fraction may relate to selling event tickets. None of the gross receipts were earned from social media influencing during the years at issue.

[*4] estimate the total mileage driven in each year at issue. His totals are 62,533 miles for tax year 2019, 20,574 miles for 2020, and 38,869 miles for 2021.[4]

2. *Event Ticket Sales*

Exploiting synergies with transportation, Mr. Sami also sold difficult-to-obtain tickets to events. He used his American Express (Amex) Platinum card and what he calls "networking" to get tickets that were not easily accessible for purchase to the general public. Consequently, he describes his business as "concierge services," explaining that the services are akin to those of a concierge at a hotel who would arrange both tickets and transportation to and from an event.

For some of these events, such as Taylor Swift concerts, the organizers restrict ticket resale. They require the person who purchases a ticket to be the person who picks up the ticket. They enforce this by requiring photo identification and the original card used for purchase to be shown at pickup. In order to circumvent this restriction, Mr. Sami would occasionally fly to the city where the event was taking place and pick up the tickets for his customers. It is unclear how often he did this (or even how many tickets he sold) during the tax years at issue.

3. *Social Media Influencing*

Mr. Sami has social media accounts on TikTok, Instagram, and X. As of October 23, 2025, his followers for these three accounts was around 520,000, 140,000, and 4,200, respectively. The record is not clear as to how many followers he had during the years at issue.

Many of his posts on the respective social media platforms were and are pictures or videos of athletes, World Wrestling Entertainment (WWE) wrestlers, or other celebrities. At times he is featured in the photos; other times he is behind the lens.

Instagram and TikTok make money by selling advertisements which they show to users in between showing them pictures or videos

[4] We note that this entails the following average number of miles per day for the three tax years, respectively: 171 miles, 56 miles, 106 miles. At an average speed of 40 miles per hour, this would mean one to four hours a day of driving, though it is unclear whether there were trips where only the cousins drove, or how many of these miles represent trips where both cars were driven at the same time.

[*5] created and uploaded by their users. Both companies share a portion of this advertising revenue with some of the most popular users who create and upload the content surrounding the ads. From this type of revenue sharing, Mr. Sami currently earns about $25,000 annually. During the years at issue, he did not earn any such shared advertising revenue.

III. *Key Expense Deductions*

A. *Celebrity Interactions*

Mr. Sami has met many famous people, including President Donald Trump, Kobe Bryant, Kanye West, Ice Spice, Tom Brady, and former Presidents Bill Clinton and Barack Obama. Mr. Sami's interactions with such celebrities were largely the result of attending events with tickets he purchased at charitable galas and the like. He claimed a tax deduction for such purchases. During the years at issue, he paid $10,000 for two tickets to the Grammys. The Emmys were significantly cheaper at $2,700 for two tickets. He paid to meet movie stars: $8,912 for Benedict Cumberbatch, $4,151 for Matt Damon, and $2,600 for Mark Ruffalo. He paid $2,025 for a personalized video message from Chris Evans. He paid $6,500 to attend Tiger Jam 2019, a charity event hosted by Tiger Woods. He likewise paid to meet athletes, including an unspecified amount to catch a pass from Tom Brady (which he fumbled), $831 to catch a pass from Drew Brees (which he caught), $779 to return a serve from John McEnroe, and $425 for a one-hour training and lunch with mixed martial artist Chuck "The Iceman" Liddell.

He also paid to enter lotteries, the winners of which would get to attend desirable events or interact with celebrities. For example, he paid at least $50 for a chance to "walk the red carpet with" actor Tom Holland and attend a Spider-Man film premiere.

Some of his purchases were for celebrity-related memorabilia. For example, Mr. Sami paid $6,317 for signed Kobe Bryant game-issue shoes from his final season.

He did not pay the celebrities (or, in the case of the Grammys and the Emmys, the organizers) directly. Instead he paid charities, to which the celebrities were donating their time.

At these events he would take pictures and videos and later post them to his social media accounts. Some of these postings had positive

[*6] consequences for his business further down the road. For example, when he posted a picture of himself with Tom Holland, he got more attention from people, including messages from those who wanted to learn how they could meet Tom Holland or his then-girlfriend Zendaya. This was good for Mr. Sami's business because, on social media platforms, increased attention means more views, which can lead to greater shared advertising revenue.

At times he posted videos that were personally embarrassing. For example, at some point, perhaps in the tax years at issue, he paid to catch a pass from Tom Brady. The pass hit him in the chest, and he did not catch it. Nevertheless, he posted the video, despite the drop and the fact that Mr. Sami—a Jets supporter—is not a fan of Tom Brady.

Another example was the tennis match with John McEnroe, which Mr. Sami described as follows:

> I never played tennis before. . . . I had to, like, slow down the video just to make a decent video to share on my social media page. But yeah, he basically destroyed me on the tennis field. And he's like, you need like nine years of practice to come back and do this again.

B. *Phones*

Because Mr. Sami claimed large deductions for business cell phone expenses, we describe his phone use. Mr. Sami had four different phones. He used one for his transportation business, one for social media (so that he did not get distracted by social media on his other phones), and two for backups (using different cell service providers) to guarantee service. For example, at SoFi Stadium in Los Angeles, AT&T works well but T-Mobile does not. During the years at issue, Mr. Sami had subscriptions to AT&T, T-Mobile, and Verizon.

IV. *Recordkeeping*

Mr. Sami did not keep books and records for his business. He did not use accounting software or retain an accountant or a tax adviser. He prepared his tax returns himself using tax-preparation software.

As for recording revenue, Mr. Sami kept extensive paper records of the trips related to his transportation business. For each trip, he would fill out a preprinted carbon-copy voucher labelled "S. SAMI SERVICES." On each form, Mr. Sami would fill out the starting and

[*7] ending cities (or boroughs, if in New York City), date, fare, tolls, tax, total cost, and a shorthand of the client's name.

Each Friday, he would use these vouchers to total each customer's balance, and then he would charge that customer's credit card that he had on file. He would keep a copy of the credit card receipt and also deliver a copy to the customer. Mr. Sami entered into evidence a large number of these receipts and corresponding vouchers.

As for recording expenses, he depended on statements from his Bank of America business account and his personal Amex card. Mr. Sami viewed his Amex card as a business card, despite its being in his name rather than in the name of S Sami Services. He did so in order to avoid increased costs that Amex charges for business accounts. Nevertheless, Mr. Sami likewise used his Bank of America and Amex cards for personal purchases, such as food or paying his mother's credit card bill.

Because some of the Bank of America and Amex expenses were not for business, when Mr. Sami was filling out his tax return he would count all purchases under $50 as personal, even though some such purchases were in fact for his business.

V. *Audit and Proceedings*

The Internal Revenue Service (IRS) selected Mr. Sami's 2019, 2020, and 2021 returns for examination. On September 29, 2022, the IRS issued Mr. Sami Letter 915 (30-day letter) for tax years 2019 and 2020. It was signed by Gregory M. Colananni, the manager of the examining agent, and it included Form 4549, Report of Income Tax Examination Changes, which asserted 20% penalties under section 6662(a) due to underpayments of tax.

In due course the IRS issued Mr. Sami the aforementioned Notices of Deficiency, and Mr. Sami timely filed his Petitions with this Court, at which time he was a resident of New York.

The two docketed cases (one for tax years 2019 and 2020, one for 2021) were heard in New York City. Mr. Sami was pro se up until the day of the trial; however, from trial onwards he had representation. After trial, the Court consolidated the dockets for the purposes of briefing and opinion.

[*8] VI. *Issues for Decision*

Following concessions during trial and in Mr. Sami's posttrial amended Petitions, we are left to decide whether Mr. Sami can subtract cost of goods sold from his business income and deduct the following alleged business expenses: car and truck, contract labor, office, and "other" from Schedule C[5] (i.e., credit card processing fees, telephone, television and video streaming, general marketing, and marketing events and charity). We must also decide whether Mr. Sami is entitled to qualified business income (QBI) deductions. We step through these in turn, with penalties and the burdens of production and proof as bookends.[6]

OPINION

I. *Burden of Proof*

Generally, the Commissioner's determinations in a Notice of Deficiency are presumed correct, and the taxpayer bears the burden of proving them wrong. *See* Rule 142(a)(1); *Welch v. Helvering*, 290 U.S. 111, 115 (1933). In particular, the burden of showing entitlement to a claimed deduction is on the taxpayer. *See INDOPCO, Inc. v. Commissioner*, 503 U.S. 79, 84 (1992). Thus, a taxpayer claiming a deduction must demonstrate that the deduction is provided for by statute and must maintain records sufficient to enable the Commissioner to determine the correct tax liability. *See* I.R.C. § 6001;

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[5] Between the first and second days of trial Mr. Sami's counsel prepared Forms 1040X, Amended U.S. Individual Income Tax Return, showing Mr. Sami's revised positions concerning his tax items. We accepted those Forms 1040X, for demonstrative purposes only, as Exhibits 16-P, 17-P, and 18-P for tax years 2019, 2020, and 2021, respectively.

[6] In his amended Petitions Mr. Sami asserted two additional positions for the first time. First, Mr. Sami asserted a new deduction for the business use of his home for each of the three tax years at issue. On brief, however, Mr. Sami conceded these deductions. Second, Mr. Sami asserted a new amount for his Schedule C gross receipts for each of the three years at issue. For 2020 he asserted $8,024 less in gross receipts than on his tax return. For 2019 and 2021, however, he asserted $12,194 and $28,383 *more* in gross receipts than on his tax returns, respectively. The Commissioner denied all three of these changes in his Answers to the Amended Petitions. The Notices of Deficiency had not adjusted the gross receipts figures on the returns, and in the posttrial briefs neither side argued for its positions concerning the changes. No evidence was presented that would decide the issue. If an argument is not pursued on brief, we may conclude that it has been abandoned. *Mendes v. Commissioner*, 121 T.C. 308, 312–13 (2003). Thus, we will not modify the original Schedule C gross income figures in Mr. Sami's tax returns.

[*9] *Hradesky v. Commissioner*, 65 T.C. 87, 89–90 (1975), *aff'd per curiam*, 540 F.2d 821 (5th Cir. 1976); Treas. Reg. § 1.6001-1(a).

If, in any court proceeding, the taxpayer puts forth credible evidence with respect to any factual issue relevant to ascertaining the liability at issue and meets certain other requirements, the burden of proof shifts to the Commissioner as to that issue. I.R.C. § 7491(a)(1) and (2). To shift the burden, the taxpayer must have "complied with the requirements under [the Internal Revenue Code] to substantiate any item" and "maintained all records required under" the Internal Revenue Code. I.R.C. § 7491(a)(2).

Mr. Sami argues that he has satisfied the requirements of section 7491, and consequently that the Commissioner bears the burden of proof on all issues. We disagree. As we intimated to Mr. Sami at trial, he has not satisfied the requirements of section 7491 since he did not comply with the substantiation and recordkeeping requirements for the disputed issues. Thus, the burden of proof on all factual matters remains with Mr. Sami.

II. *Cost of Goods Sold*

The cost of goods purchased for resale is subtracted from gross sales in computing gross income. Treas. Reg. § 1.162-1(a). Taxpayers generally have the burden of proof with respect to cost of goods sold. Rule 142(a); *Hassan v. Commissioner*, T.C. Memo. 2013-145, at *5. Any amount claimed as cost of goods sold must be substantiated, and taxpayers are required to maintain records sufficient for this purpose. I.R.C. § 6001; *Berry v. Commissioner*, T.C. Memo. 2021-52, at *10.

Mr. Sami claims cost of goods sold (for the event tickets he resold) of $730 for tax year 2021. He claims no cost of goods sold for 2019 or 2020.

As evidence for the $730 figure, Mr. Sami points to Bank of America statements that show two purchases from SeatGeek and Ticketmaster, which collectively add up to $730.18. But while Mr. Sami testified that he in general sells tickets to others, he did not specifically testify about these two expenses, and he provided no other evidence that these tickets were subsequently resold. Although they were purchased from his business Bank of America account, so were numerous personal items. For example, for the two dates on which the tickets were purchased, purchases from Ralph Lauren and Brooklyn restaurants in the vicinity of Mr. Sami's apartment were also listed.

[*10] Because Mr. Sami has not adequately substantiated that these expenses were costs of goods sold, we will disallow them.

III. *Business Expense Deductions in General*

A taxpayer can deduct "all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business." I.R.C. § 162(a). However, a taxpayer generally cannot deduct "personal, living, or family expenses." I.R.C. § 262(a).

Certain deductions, including those for section 280F(d)(4) listed property, are allowed only if the taxpayer meets relatively strict substantiation requirements. I.R.C. § 274(d). These require the taxpayer to, among other things, substantiate "by adequate records or by sufficient evidence corroborating the taxpayer's own statement (A) the amount of such expense . . . , (B) the time and place of the travel . . . , [and] (C) the business purpose of the expense." *Id.*

For deductions not subject to the strict substantiation requirements of section 274(d), the *Cohan* rule applies: If a taxpayer clearly shows that he incurred a deductible expense but is unable to substantiate the exact amount, then the Court "should make as close an approximation as it can, bearing heavily if it chooses upon the taxpayer whose inexactitude is of his own making." *Cohan v. Commissioner*, 39 F.2d 540, 544 (2d Cir. 1930). However, the Court will not estimate a deductible expense unless the taxpayer presents a sufficient evidentiary basis on which an estimate can be made. *See Vanicek v. Commissioner*, 85 T.C. 731, 742–43 (1985); *Rodriguez v. Commissioner*, T.C. Memo. 2009-22, 97 T.C.M. (CCH) 1090, 1093 (stating, with respect to the *Cohan* rule, that "we can't just guess").

IV. *Car and Truck Expenses*

As noted *supra*, taxpayers must meet strict substantiation requirements to deduct expenses with respect to section 280F(d)(4) listed property. I.R.C. § 274(d). Such listed property includes "any passenger automobile." I.R.C. § 280F(d)(4)(A). The term "passenger automobile," however, does not include "any vehicle used by the taxpayer directly in the trade or business of transporting persons or property for compensation or hire." I.R.C. § 280F(d)(5)(B)(ii); *see also Patitz v. Commissioner*, T.C. Memo. 2022-99, at *10 n.10, *aff'd*, No. 23-12440, 2025 WL 1179575 (11th Cir. Apr. 23, 2025); *Januszewski v. Commissioner*, T.C. Memo. 1998-390, 76 T.C.M. (CCH) 761, 763 (holding that section 274(d) does not apply to a Mercury Grand Marquis used as

[*11] a limousine for hire); Treas. Reg. § 1.280F-6(c)(3)(ii). Where the strict substantiation requirements of section 274(d) do not apply to car and truck expenses, the *Cohan* rule applies. *Januszewski*, 76 T.C.M. (CCH) at 763.

The Commissioner argues that Mr. Sami does not meet the strict substantiation requirements for car and truck expenses and does not fall into the standard-mileage-rate safe harbor for section 274(d).[7]

These arguments fail. The section 274(d) strict substantiation requirements do not apply to Mr. Sami since he meets the transporting-persons exception in section 280F(d)(5)(B)(ii). He used each of the three vehicles at issue directly in his business of transporting persons for compensation.

Mr. Sami's testimony, credit card statements, and copious driving records collectively make clear that he had numerous business expenses related to his vehicles. The exact amounts of the expenses, however, are murky. Mr. Sami's original figures on his return relied on the Bank of America website's categorization of his expenses, to which he no longer has access. On brief, his new figures rely on his contemporaneous hand-filled-out vouchers for each trip. These vouchers had no mileage numbers, simply a starting and ending destination, usually just listed as a city. He then assumed that each trip started and ended at his home, and he used Google Maps to determine the distance between the two boroughs or cities to and from which he was driving, or sometimes just stated an amount (e.g., all Manhattan-to-Manhattan trips seem to have been counted as five miles). Finally, he multiplied this estimated mileage by the IRS standard mileage rate for each year to reach his current claimed amount.

Because Mr. Sami kept contemporaneous records of each trip he made in his transportation business during the years at issue (including the dates, names of the passengers (some being abbreviated or

[7] For the first time in his Simultaneous Opening Brief, the Commissioner argued that Mr. Sami failed to show that he meets the requirement that he used the mileage-rate procedure in the first year in which the vehicles were placed in service in the business, 2016. This argument was a surprise and substantial disadvantage to Mr. Sami because it requires different evidence to be presented, namely Mr. Sami's 2016 tax returns. On the basis of the tax returns that were before the Court for the tax years at issue, vehicle depreciation was not claimed, and it seems plausible that the same would be true for earlier tax years. Because Commissioner's new argument is severely prejudicial to Mr. Sami, it need not be considered by the Court. *See Estate of Horvath v. Commissioner*, 59 T.C. 551, 555–57 (1973).

[*12] shortened to nicknames), and locations traveled to and from), and because his approximation is the best possible estimate given the state of the evidence, we will adopt Mr. Sami's estimates of car expenses tallied on brief, except that we will reduce those figures by 20% for the inexactitude of his own making by not recording the precise addresses of pickup and delivery of passengers. Thus, we will allow as deductions 80% of his reported expenses, i.e., $29,015, $9,464, and $17,414 for tax years 2019, 2020, and 2021, respectively.[8]

Mr. Sami also claimed deductions for car toll and parking expenses (which were listed under the Schedule C heading of "Other expenses"), substantiated by pointing to charges from EZ-Pass, parking garages, and the like, in his credit card statements. We adopt his estimates of these expenses on brief but again adjust the totals by allowing deductions for 80% of the reported expenses, i.e., $11,101, $5,042, and $35 for tax years 2019, 2020, and 2021, respectively.[9]

V. *Contract Labor*

In general, payments made or incurred by a trade or business for personal services rendered are ordinary and necessary business expenses and may be deducted under section 162. Treas. Reg. § 1.162-7(a).

Mr. Sami occasionally paid two of his relatives to drive for S Sami Services. In his posttrial amended Petition, Mr. Sami claims business expense deductions of $600, $600, and $900 for their contract labor for tax years 2019, 2020, and 2021, respectively. His sole evidence for these deductions is his general testimony at trial that occasionally they would drive and he would pay them. He has pointed to no written records of these payments, and he did not testify to these specific amounts.

We find it credible that Mr. Sami did indeed sometimes pay his relatives, but he failed to provide any documentary evidence of the amounts of these payments, and we have no reasonable basis upon which we could estimate the amounts. Thus, we disallow any deductions for Mr. Sami's reported contract labor expenses. *See, e.g.*, *Weatherly v.*

[8] Mr. Sami claimed $36,269, $11,830, and $21,767 for tax years 2019, 2020, and 2021, respectively.

[9] Mr. Sami claimed $13,876, $6,302, and $44 for tax years 2019, 2020, and 2021, respectively. The dropoff in 2021 seems to have been caused by the lack of EZ-Pass toll expenses listed in Mr. Sami's brief for that year, presumably because such expenses were not in his card statements.

[*13] *Commissioner*, T.C. Memo. 2011-206, 102 T.C.M. (CCH) 199, 200 (sustaining the denial of a labor expense where the taxpayer did not provide any proof of payment or sufficient substantiation); *Bruns v. Commissioner*, T.C. Memo. 2009-168, 98 T.C.M. (CCH) 30, 36 (same).

VI. *Office Expenses*

The cost of materials and supplies consumed and used in business or for-profit operations during a taxable year is generally considered an ordinary and necessary expense of conducting that activity. I.R.C. § 162; Treas. Reg. § 1.162-3.

Mr. Sami seeks to deduct office expenses of $1,349, $2,330, and $1,784 for tax years 2019, 2020, and 2021, respectively, but makes no claim for supplies expenses. On his original returns he deducted supplies expenses in amounts exceeding these office expense amounts for each tax year, and the Commissioner did not challenge such in the Notices of Deficiency. For substantiation of the office expenses he points to individual lines from his bank and credit card statements and testified that the expenses were for paper, printer ink, and the like. While it is clear that he used such products in generating his trip vouchers and receipts provided to customers in his transportation business, the amounts are more properly categorized as supplies expenses and will remain allowed in the unchallenged amounts deducted on his returns such that no additional adjustment is sustained.

VII. *Other Expenses*

A. *Credit Card Processing Fees*

Mr. Sami incurred $10,904, $6,749, and $9,186 in merchant processing fees charged by Mastercard, American Express, Discover, and Visa for tax years 2019, 2020, and 2021, respectively. He provided proof of these credit card processing fees and testified that they were incurred in order to facilitate his customers' payments for transportation services and event ticket sales. Consequently, they were ordinary and necessary business expenses, and he is entitled to deduct them. *See, e.g.*, *Thunstedt v. Commissioner*, T.C. Memo. 2013-280, at *22–23 (holding that an art gallery owner could deduct the credit card fees he incurred when customers bought his wares).

[*14] B. *Telephone Expenses*

For tax years 2019, 2020, and 2021 Mr. Sami seeks to deduct $5,476, $4,414, and $3,820 for cell phone service and $603, $624, and $312 for cell phone equipment, respectively. As indicated *supra* page 6, Mr. Sami maintained four different phones during the years at issue. He clearly used one for transportation services, claims that one was required for social media, and used two for backups (using different cell service providers) to guarantee service.

To substantiate these expenses, Mr. Sami highlighted applicable charges on his credit card statements. The record does not include any receipts for equipment purchases or records from his cell service providers.

For cell service, his credit card statements indicate that, for each month of the years at issue, Mr. Sami paid fluctuating amounts to T-Mobile, AT&T, and Verizon. Typical monthly amounts would be $280, $100, and $75 to the three companies, respectively.

To substantiate the phone equipment purchases, he cites bank and credit card statement entries with descriptions such as "APPLE ONLINE STORE," "CELLPHONECLUBBROOKLYN," and "IPHONECITIZ" (this last seeming to be installment payments for the purchase of an iPhone).

Mr. Sami did not keep records or provide other evidence of the split between business use and personal use of his four cell phones. Clearly some was business use, as it would have been essential to his providing transportation services, which involved calls to schedule pickups and GPS to navigate while driving. However, the overall charges reported were unusually large and not quite plausibly for business purposes only. For example, four different phones and cell services seem excessive for a business run by Mr. Sami outside his regular full-time employment.

While Mr. Sami did not provide the exact amount of business versus personal use, some business use was clearly incurred. Consequently, we will estimate under the *Cohan* rule. *See, e.g.*, *Hoakison v. Commissioner*, T.C. Memo. 2022-117, at *28–29 (applying the *Cohan* rule to estimate phone expenses). We likewise note that we "bear[] heavily . . . upon the taxpayer whose inexactitude is of his own making" by failing to maintain contemporaneous business records. *Cohan v. Commissioner*, 39 F.2d at 544. Because it was reasonable from

[*15] a business perspective to have at least one of the four phones, we will allow Mr. Sami to deduct 25% of his reported expenses for cell phone service.

However, we have no basis for determining that the purported charges for cell phone equipment were for business rather than personal use and will not allow deductions for those reported expenses.

C. *Television and Video Streaming*

Mr. Sami claimed deductions of $2,896, $3,211, and $3,766 for television and video streaming expenses for tax years 2019, 2020, and 2021, respectively, under the label of "market research." He argues that the expenses were for business purposes because they allowed him to learn about entertainment events, to which he could then sell tickets, and trends that might help him in his social media influencer activities.

To substantiate the amounts Mr. Sami points to lines in his bank and credit card statements which show regular monthly charges of about $100 to $200 for DirectTV, $90 for TimeWarner (later replaced by $90 for Spectrum), and $10 regular payments to WWE and Apple. Starting in 2020 he also claimed deductions for subscription payments to Netflix and Hulu.

Viewing television and online videos is a common source of personal enjoyment, and we are not convinced from Mr. Sami's testimony that these payments were directly related to his business. *See, e.g.*, *Minick v. Commissioner*, T.C. Memo. 2010-12, 99 T.C.M. (CCH) 1054, 1057 ("Payments for television and cable bills are not deductible business expenses if they were not *directly* related to a taxpayer's business." (Emphasis added.)). Consequently, we hold that these are personal expenses that Mr. Sami is not entitled to deduct.

D. *General Marketing*

Mr. Sami claimed deductions of $1,251, $5,215, and $7,832 for tax years 2019, 2020, and 2021, respectively, for what he called "general marketing." He does not describe the underlying expenses in detail. For substantiation, he cites lines in his bank and credit card statements. As with other expenses he has reported, the bank and credit card statements merely have lines with a date, a payment amount, and a "description" that is less than helpful. For example, the description of the first general marketing payment of 2019 is "Idigic" followed by a string of 34 numerals.

[*16] The payments are varied. Many are Paypal transfers to different users. There appear to be charges for events called ComplexCon and Comicpalooza. There are charges from Ticketmaster, Cameo, and Kanye West Music. Some description lines mention Justin Bieber and Jessica Simpson. There seem to be many charges from places that, for a fee, increase the number of followers one has on TikTok and Instagram: Buzzoid, Celebian.com, and the aforementioned Idigic.

The only additional evidence on this issue is that Mr. Sami during trial generally asserted that he paid other people to promote his social media accounts.

Given Mr. Sami's frequent commingling of business and personal charges in his accounts (discussed, for example, under Cost of Goods Sold, *see supra* pp. 9–10) and given his lack of additional records or concrete explanations of what these charges are, we are not convinced that these were business purchases. *See, e.g.*, *Andersen v. Commissioner*, T.C. Memo. 2019-2, at *18 ("While these [bank] statements show that he paid those amounts to someone for something, there is insufficient evidence that these expenses were for his business."). The statements do not clearly state the full name of the seller nor the product or service purchased. There is insufficient information available for the Court to estimate under *Cohan* the amount of business purchases in this category. *See Andersen*, T.C. Memo. 2019-2, at *18. Thus, Mr. Sami is not entitled to deduct these expenses.

E. *Marketing Events and Marketing Charity*

We come now to the main event.

Expenses are deductible under section 162(a) only if they are primarily undertaken for business, instead of personal, purposes. *Walliser v. Commissioner*, 72 T.C. 433, 437–38 (1979). In the textbook-favorite *Danville Plywood*, for example, employees of a plywood manufacturing company went on a weekend trip to the Super Bowl with some customers, and the company reported the employees' expenses as business expenses. *Danville Plywood Corp. v. United States*, 899 F.2d 3, 5–6 (Fed. Cir. 1990). The court held that the employees' expenses were not deductible under section 162(a), since the trip was "a group social excursion with business playing a subsidiary role." *Danville Plywood*, 899 F.2d at 9. By contrast, in *Tucker*, a struggling fashion label entrepreneur appeared on a local public television show with models wearing the label's clothes. *Tucker v. Commissioner*, T.C. Memo.

[*17] 2023-87, at *4–5, *aff'd*, No. 24-1147, 2025 WL 511651 (1st Cir. Jan. 6, 2025). We held that, under section 162(a), the entrepreneur could deduct the expenses for this appearance, since the entrepreneur's "primary motive or purpose in appearing on the show was to increase [the label's] visibility and in turn generate sales of [its] products." *Tucker*, T.C. Memo. 2023-87, at *14.

The Court has not had the opportunity to apply these general principles in the context of expenses incurred by social media influencers; however, such an enterprise would be no different from other for-profit enterprises, and the same general rules would apply.

Mr. Sami now claims deductions for "other expenses" reportable on Schedules C to include $42,762,[10] $38,806, and $15,937 for "marketing events and marketing charity" for tax years 2019, 2020, and 2021, respectively. On his filed tax returns, he originally deducted these expenses on Schedules A, Itemized Deductions, as cash charitable contributions.[11] At trial and on brief, with the assistance of counsel, he asserted that they were instead marketing expenses to help develop his business.

As an initial matter, we note that for the years at issue, he had no gross receipts from the social media influencer enterprise, and he provided no concrete evidence other than his self-serving testimony that he received advertising revenue in follow-on years. Regardless, the root of the problem goes deeper. We are not convinced that Mr. Sami's expenses are primarily incurred for business rather than personal purposes.

The Grammys, (attempting to) catching a pass from Tom Brady, returning a serve from John McEnroe—these are desirable things. Witness the high prices they commanded. We start with the inherent knowledge that a person paying for these experiences might not be doing so primarily for business reasons, and then we turn to the testimony and facts at hand. Mr. Sami did not initially claim or view the expenses as

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[10] For tax year 2019, Mr. Sami's Amended Petition and portions of his opening brief asserted $9,593 "marketing events" and $33,169 "marketing charity," which totals $42,762. In other portions of his opening brief he asserted that the "marketing charity" amount was instead $32,390, a difference of $779. This variation is not explained but as further discussed, has no impact on the case.

[11] The amounts reported on Schedules A were $61,973, $18,875, and $40,609 for tax years 2019, 2020, and 2021, respectively, with the amount for tax year 2019 including a $9,873 "[c]arryover from prior year."

[*18] marketing ones, and it is likely that he derived considerable personal status from these brushings with the famous. While it is true that some of the interactions (as Mr. Sami points out) were embarrassing—the dropped pass from Brady, the flubbed return from McEnroe—they still created stories and personal prestige and were likely motivated by charitable intent as originally reported. Yes, Mr. Sami was a Jets supporter, and so no fan of Brady, but we were still left with the impression that he enjoyed interacting with him. Overall, our impression after Mr. Sami's testimony was that his motives for buying these experiences were primarily personal, rather than hard-headed business ones. Consequently, he cannot deduct their costs under section 162(a).

Mr. Sami points out that these celebrity interactions had positive consequences for his business. For example, the pictures he took with celebrities increased his views and followers, which eventually purportedly increased his advertising revenue. But this is not dispositive, because the question is not whether the expenses had any effect on his revenues. If that were the standard, it would be met by countless clearly personal expenses, such as a comedian getting good material for her standup act while on a European vacation. Instead, the question is whether these expenses meet the necessary condition of being primarily undertaken for business, instead of personal reasons. We hold that they do not.

Mr. Sami also argues that these expenses are usual, and so ordinary, expenses for influencers. Disney-focused influencers, for example, pay to go to film premieres, Mr. Sami says, so they can then post videos and images of the premieres and generate income. This may be, but even if Mr. Sami's expenses are typical influencer expenses, they are still not deductible under section 162(a), since they were not incurred primarily for business purposes.

Even if Mr. Sami had incurred these expenses primarily for business purposes, there are further problems, which fall broadly into two buckets: first, whether, if the facts are as Mr. Sami states, he has met the other legal requirements for these deductions; second, whether Mr. Sami has substantiated that the facts are as he states.

As for the first set of problems, Mr. Sami did not receive payments from social media companies during the tax years at issue. Further, his celebrity interactions did not materially benefit his driving business, since, without a TLC license, he could drive only individuals he

[*19] personally knew. And he has not shown that these marketing expenses increased his ticket sale business, since he provided no written evidence of any ticket sales. Consequently, the most promising way these could be business expenses is if they were early costs for his social-media-revenue-sharing line of business. However, that line of business, even if now producing fruit, was not at the time—making such expenses more likely startup expenditures that must be capitalized under section 195. This would require much more legal analysis than Mr. Sami has proffered.

As for the second set of problems, Mr. Sami has not provided enough substantiation for most of the expenses. The evidence for almost all of them is, as for most of his other expenses, lines in Mr. Sami's credit card or bank statements and general assertions Mr. Sami made at trial about his indeed paying to attend events to boost his business.

For example, for 2021 Mr. Sami reports one line from his credit card statement as "11/16/2021 (CR) TM *TICKETMASTER LOS ANGELES CA $(1,661.57)." There is no receipt, description, or other specific evidence about this expense. In his Petition he lists this line under the category "marketing event," but such pleadings are assertions, not evidence. He did, in general, state at trial that he made payments to boost his business, but that tells us nothing about this particular payment. He has not provided testimony or written evidence concerning what this $1,661.57 bought, or of any posts he put in his social media accounts that were based on this expense. Moreover, most of the line items for reported expenses have even less informative descriptions than this Ticketmaster one. For example, as to a pair of thousand-dollar purchases from 2021, the descriptions simply say "Paypal" followed by a username and a transaction number. Consequently, Mr. Sami has not provided enough substantiation for his alleged marketing expenses.

For all the above reasons, we hold that Mr. Sami is not entitled to deduct any of his reported marketing event expenses and that he has conceded that they do not otherwise qualify as charitable contribution deductions or otherwise abandoned the argument that they would qualify.[12]

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[12] Mr. Sami's concession is based on many of the marketing event expenses failing to meet all the requirements for a section 170(a) deduction for contributions made to charitable organizations. For example, if a charitable donor received some

[*20] VIII. *QBI Deductions*

In his original tax returns Mr. Sami claimed QBI deductions of $4,114, $1,006, and $3,114 for tax years 2019, 2020, and 2021, respectively. In the Notices of Deficiency the Commissioner disallowed all of these deductions. The Commissioner's reasoning is unclear because he did not explain it in the Forms 886–A, Explanation of Items.[13]

Mr. Sami's amended Petition disputed this disallowance. On brief Mr. Sami argued that his Schedule C income from S Sami Services was QBI. It is not clear whether the Commissioner now disputes this. The Commissioner's brief says no more than "[the Commissioner] proposed disallowance [of the QBI deductions] based on statutory and computational adjustments."

Section 199A provides a deduction whose amount is in part based on the "qualified business income with respect to" a "qualified trade or business." I.R.C. § 199A(b)(2). A "qualified trade or business" means any trade or business that is neither (1) a "specified service trade or business" nor (2) that of "performing services as an employee." I.R.C. § 199A(d)(1). Mr. Sami's Schedule C income is from his transportation and event ticket sales lines of business. Since these are neither specified service trades or businesses nor performance of services as an employee, his Schedule C income counts as QBI with respect to a qualified trade or business.

IX. *Penalties*

In the Notices of Deficiency the Commissioner determined 20% section 6662(a) accuracy-related penalties on the entirety of the underpayments of tax required to be shown on Mr. Sami's returns on the theory that they were due to substantial understatements of income tax, *see* I.R.C. § 6662(b)(2), or, in the alternative, that they were due to

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consideration in return for the donation, then the deduction is limited to the excess of the donated property's value over the value of the goods or services received in return. *See, e.g.*, *IQ Holdings, Inc. v. Commissioner*, T.C. Memo. 2024-104, at *12 n.20; Treas. Reg. § 1.170A-1(h)(2). Most of Mr. Sami's charitable receipts lack statements giving the value Mr. Sami received, indicate a value in excess of the amount paid, or fail to state that nothing of value was received. Furthermore, if an argument is not pursued on brief, we may conclude that it has been abandoned. *Mendes*, 121 T.C. at 312–13.

[13] In the attached QBI Deduction worksheets, the Commissioner listed Mr. Sami's total QBI as zero for each of the three years, which seems to be the cause for the Commissioner's determining that each deduction was zero.

[*21] negligence or disregard of rules or regulations, *see* I.R.C. § 6662(b)(1).[14] An understatement is generally "substantial" if it exceeds the greater of 10% of the tax required to be shown on the return or $5,000. I.R.C. § 6662(d)(1)(A). In the case of any taxpayer who claims any deduction allowed under section 199A for the taxable year, 10% is replaced by 5%. I.R.C. § 6662(d)(1)(C).

The Commissioner generally bears the burden of production with respect to an individual taxpayer's liability for penalties. I.R.C. § 7491(c). In particular, the Commissioner must show that he complied with the procedural requirements of section 6751(b)(1). *See Chai v. Commissioner*, 851 F.3d 190, 221 (2d Cir. 2017) (ruling that "compliance with [section] 6751(b) is part of the Commissioner's burden of production" under section 7491(c)), *aff'g in part, rev'g in part* T.C. Memo. 2015-42.

Regarding the penalties in these cases, two issues are in dispute: (1) whether the penalties were properly approved pursuant to section 6751(b)(1), and (2) whether Mr. Sami has a defense of reasonable cause and good faith.

A. *Penalty Approval*

Section 6751(b)(1) provides that, in general, "[n]o penalty under this title shall be assessed unless the initial determination of such assessment is personally approved (in writing) by the immediate supervisor of the individual making such determination."

Since these cases are presumptively appealable to the U.S. Court of Appeals for the Second Circuit, we follow its on-point precedent. *See Golsen v. Commissioner*, 54 T.C. 742, 757 (1970), *aff'd*, 445 F.2d 985 (10th Cir. 1971). The Second Circuit has held that supervisory approval must be obtained at a time when "the supervisor has the discretion to give or withhold it." *Chai v. Commissioner*, 851 F.3d at 220. Under this standard, supervisory approval will generally be timely if it is secured before the IRS issues the taxpayer a Notice of Deficiency. *GWA, LLC v. Commissioner*, T.C. Memo. 2025-34, at *128.

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[14] Given the disallowed deductions in these cases, the underpayments of tax will be due to substantial understatements of income tax. Consequently, we do not address the Commissioner's alternative of negligence or disregard of rules or regulations (which the Commissioner also at best glancingly mentioned in one sentence on brief).

[*22] Supervisory approval need not be recorded on any particular form or document. The only requirement is a writing that manifests the immediate supervisor's intent to approve the penalty. *Palmolive Bldg. Invs., LLC v. Commissioner*, 152 T.C. 75, 86 (2019). Supervisory approval may be shown by the signature of the revenue agent's manager on any form or document, including a 30-day letter. *Comput. Scis. Corp. v. Commissioner*, 165 T.C. 119, 127–28 (2025).

The parties agree that the 2021 penalty was properly approved. But Mr. Sami contends that the 2019 and 2020 penalties were not properly approved, since—although a penalty approval form for those years was signed by Gregory M. Colananni, the manager of the examining agent—the date line next to the signature was left blank.

Despite this omission, however, the penalties were properly approved, since Mr. Colananni signed the 30-day letter sent to Mr. Sami for tax years 2019 and 2020, which asserted penalties and was sent before the Notice of Deficiency, thus meeting the requirements of section 6751(b).

B. *Reasonable Cause and Good Faith*

Generally, section 6662(a) penalties do not apply to any underpayment portion that is due to the taxpayer's having reasonable cause and good faith. I.R.C. § 6664(c). Reasonable cause requires the taxpayer to have exercised ordinary business care and prudence as to the disputed item. *Neonatology Assocs., P.A. v. Commissioner*, 115 T.C. 43, 98 (2000), *aff'd*, 299 F.3d 221 (3d Cir. 2002). Whether a taxpayer acted with reasonable cause and in good faith is decided on a case-by-case basis, taking into account all pertinent facts and circumstances. *Higbee v. Commissioner*, 116 T.C. 438, 448 (2001). Reasonable cause and good faith may be indicated by an honest misunderstanding of fact or law that is reasonable in the light of the experience, knowledge, and education of the taxpayer. *Id.* at 449. Mr. Sami bears the burden of proof regarding the reasonable cause defense. *See* Rule 142(a)(1); *Higbee*, 116 T.C. at 446–47.

Despite having two accounting degrees, Mr. Sami kept no books, and his records were inadequate. He did maintain thousands of records of his individual driving trips. But for almost all his expenses he presented no receipts or other documents that would show what he had purchased. Consequently, he could not establish that there was a

[*23] business purpose behind many of his purchases. This is not how a prudent businessperson would behave.

With his accounting background Mr. Sami would have been aware that he could deduct only purchases with true business purposes and that he must properly document those purchases. For all these reasons, Mr. Sami did not act with ordinary business care and prudence. Consequently, he has no defense of reasonable cause and good faith to the section 6662(a) penalties.

X. *Conclusion*

On the basis of the foregoing, we conclude that Mr. Sami (1) may claim neither cost of goods sold nor the deductions we have disallowed herein, (2) did have QBI, and (3) is liable for section 6662(a) penalties.

In reaching our holdings we have considered all arguments made, and, to the extent not mentioned above, we conclude they are moot, irrelevant, or without merit.

To reflect the foregoing,

Decisions will be entered under Rule 155.