

March 9, 1917.

OPINION No. 642.

INCOME TAX:

Deductions from Income, Salaries or wages of employees performing purely personal services not connected with the business or profession of the taxpayer are not deductible.

C. J. McCarthy, Esq.,
Treasurer, Territory of Hawaii,
Honolulu, T.H.

Dear Sir: I beg to confirm my oral opinion given to Mr. Palmer to the effect that in estimating an individual's income for the purpose of assessing the income tax there should not be deducted compensation paid to private secretaries or servants and employees who render purely personal services not connected with the business or profession of the taxpayer. Where a taxpayer's income is derived from a business or profession, to arrive at the net income there must, of course, first be deducted all expenses of the business, including salaries of the employee, but no such deduc-

tions for wages or salaries should be made where such employees perform purely personal services. For example, if an individual were running a hotel and his income were derived from this business, such taxpayer would be entitled to deduct wages paid to cooks, waiters, etc., who are employed to assist in carrying on his business, but, on the other hand, a professional man, whose income is derived from his profession, would not be allowed to deduct from his gross income the wages he pays to his cook or yard boy. Between these extremes, as you can readily perceive, a large number of cases may arise, some of which may be very near the border line.

Yours very truly,
INGRAM M. STAINBACK,
Attorney General.
