



Tax Reduction Letter

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Revenue Ruling 68-580

Educational expenses incurred by a college professor in securing a doctorate in order to be retained on the eligibility list for appointment as president of a junior college are deductible business expenses.

Advice has been requested whether the cost of tuition and books incurred in securing a doctorate under the circumstances described below are deductible for Federal income tax purposes.

The taxpayer, who held a master's degree, was a professor of education on the faculty of a college. He successfully passed an examination and was placed on an eligibility list for appointment as president of a junior college within the same educational system. At the time the taxpayer took the examination, a master's degree or an advanced degree of equivalent standard from a recognized university or college was required as a prerequisite for taking the examination and for appointment. However, the taxpayer and the other applicants were at that time put on notice that the educational requirements for the position were about to be amended effective the following year. The amended requirements provided that an earned doctoral degree from a recognized college or university was a prerequisite for appointment as president of a junior college after a specified future date. In order to be retained on the eligibility list after such date, the taxpayer incurred expenses for tuition and books in earning a doctorate in education.

Section 162 of the Internal Revenue Code of 1954 provides for the deduction of all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

Section 1.162-5 (a) of the Income Tax Regulations provides, subject to section 1.162-5 (b), that expenditures made by a taxpayer for his education are deductible (even though the education may lead to a degree) if the education (1) maintains or improves skills required by the taxpayer in his employment or other trade or business or (2) meets the express requirements of the taxpayer's employer, or the requirements of applicable law or regulations imposed as a condition to the retention by the taxpayer of an established employment relationship, status, or rate of compensation.

Section 1.162-5 (b) of the regulations specifically prohibits a deduction for expenditures for education that (1) is required of the taxpayer in order to meet the minimum educational requirements for qualification in his employment or other trade or business, or (2) is part of a program of study being pursued by him that will lead to qualifying him in a new trade or business. Once an individual has met the minimum educational requirements for qualification in his employment or other trade or business (as in effect when he enters the employment or trade or business), he is treated as continuing to meet those requirements even though they are changed. In the case of an employee, a change of duties is not a new trade or business if the new duties involve the same general type of work as is involved in the individual's present

employment. All teaching and related duties are considered to involve the same general type of work.

The course of study undertaken by the taxpayer maintains or improves skills required in his employment. Prior to undertaking such course, the taxpayer had met the minimum educational requirements for qualification in his employment. His appointment as president of a junior college would not be a new trade or business but merely a change of duties in the same general type of work involved in his present employment as a teacher. See section 1.162-5 (b) (3) of the regulations.

Accordingly, the cost of tuition and books incurred in securing the doctorate are deductible by the taxpayer as ordinary and necessary business expenses, for Federal income tax purposes, provided he itemizes his deductions.