



## Robert W. Wood

THE TAX LAWYER

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### Tax Breaks For MBAs And More

Many people want to deduct educational expenses. If you're self-employed, that means writing them off as business expenses on [Schedule C](#) to your Form 1040. For employees, it means claiming unreimbursed employee business expenses (miscellaneous itemized deductions). In either case, observe these 3 rules.



**1. You can't deduct courses your employer paid for.**

If you can get your employer to pay, you don't need to deduct it. Your employer can pay up to \$5,250 a year for each employee for classes without it counting as income to employees.

**2. Educational expenses qualify two ways.**

"Education" is defined broadly, and is deductible if either:

- It maintains or improves skills **required** in your employment or business—but anything that might be **helpful** is probably OK. Examples: seminars on positive thinking, negotiation seminars, *etc.*
- Your employer or law **requires** it, like mandatory licensing update courses.

### **3. It can't qualify you for a new career.**

What's the biggest trap with education expenses? If education qualifies you for a **new** trade or business, it **doesn't** qualify. Examples are getting a law degree or CPA license. Even though you may not want to change careers and might never leave your job, a law or nursing degree **qualifies** you for a new one.

With degrees that don't signal new careers, your own facts count. Since an MBA doesn't qualify you for a new career, whether you can deduct it depends on your situation. A good example of how to succeed in deducting educational expenses is [\*Lori Singleton-Clarke v. Commissioner\*](#).

Lori had a nursing degree and had worked as a nurse or medical administrator for 24 years. Already working in a managerial job, she boosted her skills with an online MBA. She deducted it, the IRS disagreed and she went to Tax Court.

The IRS argued that Lori's MBA **qualified** her for a **new** job—in fact, she **got** one! But the Tax Court believed her when she said she got the MBA to become **more effective in her present duties** and switched jobs only to work closer to home. She even showed she would have gotten the new job **anyway**—with or without the MBA! See [\*St. Mary's nurse challenges findings of IRS audit, and wins\*](#).

Despite Lori's success, don't assume you can deduct the cost of your MBA. You could still have a fight on your hands with the IRS. There's a long line of MBA tax cases and many taxpayers have lost, primarily based on the "new job or career" rationale.

For more, see:

[Nurse Outdules IRS Over M.B.A Tuition](#)

[Tax Court Allows Nurse To Deduct Cost of M.B.A.](#)

[Ten Rules For Deducting Career Education](#)

[Taxpayers take the IRS to court — and actually win](#)

## [Tuition Tax Deduction Case Could Help Students](#)

## [IRS Tax Topic 457: Tuition And Fees Deduction](#)

## [IRS Publication 970: Tuition and Fees Deduction](#)

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009, [Tax Institute](#)), he can be reached at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*