



**164.3 Business management consultant fees.** Taxpayer, vice-president and general superintendent of a construction company, being knowledgeable with respect to the construction business but deficient in certain key aspects of corporate management, paid a business management consultant-psychologist for tutoring in order to improve managerial skills. *Held*, the expenditure is a deductible business expense. (Sec. 162, '86 Code.)

Walter G. Lage, 52 T.C. 130, Acq., 1969-2 C.B. xxiv.

**164.4 Church of Scientology; "auditing" courses.** Amounts paid to the Church of Scientology by a member who is not a minister or employee for "auditing" and training courses that would qualify the member to be an "auditor" are expenditures made for education that will lead to qualification in a new trade or business and are not deductible. §1.162-5. (Sec. 162, '86 Code.)

Rev. Rul. 78-188, 1978-1 C.B. 40.

**164.5 Dentist; postgraduate orthodontic study.** Expenditures incurred in taking postgraduate studies in orthodontics by a dentist engaged in general practice who returned to dental school on a full-time basis while continuing his practice on a part-time basis and, after completing his training, limited his practice to orthodontic patients are deductible. §1.162-5. (Sec. 162, '86 Code.)

Rev. Rul. 74-78, 1974-1 C.B. 44.

**164.6 Doctoral degree; college professor.** Educational expenses incurred by a college professor in securing a doctoral degree in order to be retained on the eligibility list for appointment as president of a junior college are deductible business expenses. §1.162-5. (Sec. 162, '86 Code.)

Rev. Rul. 68-580, 1968-2 C.B. 72.

**164.7 Employee; educational leave.** Monthly payments a state public welfare department makes to its employees while on educational leave to pursue job-related training, with the employees obligated to return to the public welfare program for a minimum period of service, are not excludable from gross income as scholarships. However, tuition fees the department pays directly to a university for the employees are not includable in gross income and the employees may deduct amounts paid for books, travel, and incidental expenses related to the education. Distinguished by Rev. Rul. 76-352, §§1.61-1, 1.117-4, 1.162-5. (Secs. 61, 117, 162; '86 Code.)

Rev. Rul. 76-65, 1976-1 C.B. 46.

**164.8 Employee; tuition fees paid by employer.** Tuition fees paid by an employer on behalf of employees who have at least three months continuous service, enroll in courses that are not required to be job related or leading to a degree, are not committed to continue as employees either during the course of study or for any length of time after the tuition is paid, and are required to produce grade "C" or better to be eligible for further aid, are not excludable from the employees' gross income as scholarships or fellowship grants. However, the educational expenses may be deductible if they meet the requirements of section 1.162-5. Rev. Ruls. 76-62, 76-65, and 76-71 distinguished. Amplified by Rev. Rul. 78-184. §§1.61-1, 1.117-4. (Secs. 61, 117; '86 Code.)

Rev. Rul. 76-352, 1976-2 C.B. 37.

**164.9 Employee; tuition fees paid by employer.** Tuition fees paid by an employer on behalf of employees that are not excludable from gross income as scholarship or fellowship grants under section 117, but are compensatory and includable in the employees' gross income, constitute wages for purposes of the FICA, FUTA, and income tax withholding. Rev. Rul. 76-352 amplified. §1.611, 1.117-4. (Secs. 61, 117, 3121, 3306, 3401; '86 Code.)

Rev. Rul. 78-184, 1978-1 C.B. 304.

**164.10 Employee; tuition fees paid or reimbursed by employer; reporting requirements.**

Amounts an employer pays as tuition reimbursements to employees enrolled, with the approval of their supervisor, in educational courses that will be beneficial to a career in the employer's business are income to the employees and do not qualify as scholarships. However, the amounts are considered business expenses of the employees and need not be reported. Distinguished by Rev. Rul. 76-352, §§1.117-4, 1.162-17. (Secs. 117, 162, 3121, 3306, 3401; '86 Code.)

Rev. Rul. 76-71, 1976-1 C.B. 308.

**164.11 Federal employee; annual leave used to attend school.** The dollar value of annual leave used by a Civil Service employee in order to attend school classes is not deductible as an educational expense. §1.162-5. (Sec. 162, '86 Code.)

Rev. Rul. 67-126, 1967-1 C.B. 41.

**164.12 Flight engineer's pilot training.** Flight engineers on propeller aircraft took pilot training in order to meet their employer's requirement that second officers on jet aircraft who perform flight engineer's functions hold a commercial pilot's license and instrument rating. *Held*, the engineers are improving their skill as flight engineers to meet the requirement of their employer and the expenses are a deductible educational expense. (Sec. 162, '86 Code.)

Marvin LeRoy Lund, 46 T.C. 321, Acq., 1966-2 C.B. 6.

**164.13 Graduate course after leaving teaching position.** The Service states the extent to which it will follow the decision in *Mary O. Furner* which held that amounts spent by a teacher who left her position to pursue a full-time graduate course for one academic year were deductible as educational expenses. §1.162-5. (Sec. 162, '86 Code.)

Rev. Rul. 68-591, 1968-2 C.B. 73.

**164.14 Indefinite suspension of trade or business.** Expenses incurred by an anesthesiologist for the maintenance of professional skills and medical equipment during a period when the anesthesiologist suspended practice indefinitely due to increased rates for malpractice insurance coverage are not deductible as trade or business expenses. §§1.162-1, 1.162-2, 1.162-5, 1.162-6. (Sec. 162, '86 Code.)

Rev. Rul. 77-32, 1977-1 C.B. 38.

**164.15 Industrial psychologist.** Taxpayer, employed as an industrial psychologist, took courses leading to a Ph.D. which was not a requirement of employment. *Held*, education was undertaken primarily to improve skills and the cost of tuition, supplies, and transportation were deductible business expenses. (Sec. 162, '86 Code.)

Cosimo A. Carlucci, 37 T.C. 695, Acq., 1962-2 C.B. 4.

**164.16 Internal Revenue Service Scholarship Program.** The Internal Revenue Service Scholarship Program is a work-study program for internal revenue agent trainees that usually selects disadvantaged high school seniors who intend to major in accounting at a college or university and who agree to work for the Service for at least two years after graduation. The amounts the Service pays for the educational expenses of the participants in the program, including travel and per diem, are not excludable from their gross income either as unemployment benefits or as scholarships or fellowship grants and are not deductible by the participants as educational expenses. §§1.61-1, 1.117-4, 1.162-5. (Secs. 61, 117, 162, 3402; '86 Code.)

Rev. Rul. 76-230, 1976-1 C.B. 19.

**164.17 Law course for foreign degree holder.** Expenses incurred in taking a special law course to enable the holder of a foreign law degree to qualify for a State's bar examination are not

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**164.1 Application of 1967 regulations.** The Service will not apply the educational expense regulations adopted May 2, 1967, T.D. 6918, in disposing of cases and claims for refunds for taxable years beginning before 1968, but taxpayers may claim deductions under either the new or prior regulations. However, the regulations as amended will be applied to all expenses for education for taxable years beginning on or after January 1, 1968. §§1.162-5, 1.262-1. (Secs. 162, 262; '86 Code.)

Rev. Rul. 68-191, 1968-1 C.B. 67.

**164.2 Assistant professor; Ph.D. subsequently required.** An assistant professor obtained his Ph.D. pursuant to a university rule, imposed 5 years after his original employment, requiring assistant professors to obtain doctorates as a prerequisite to tenure. *Held*, the cost of the education is deductible as a business expense incurred to meet the express requirements of the university and not to meet the minimum requirements of the position. (Sec. 162, '86 Code.)

Laurie S. Robertson, 37 T.C. 1153, Acq., 1963-1 C.B. 4.

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Rev. Rul. 75-412, 1975-2 C.B. 62.

**164.18 Law courses; job-related; paid by employer.** Amounts a government agency pays to a correspondence school for employees' job-related law courses, leading to a degree but not entitling them to sit for any State Bar Examination, are noncompensatory business expenses for the agency and are not includible in the employee's gross income. However, amounts paid to reimburse employees for expenses incurred in taking job-related evening law school courses, the completion of which with other courses not job-related leads to a degree and entitles them to sit for bar examinations, are includible in the employees' gross income. Distinguished by Rev. Rul. 76-352. §§1.61-1, 1.117-4, 1.162-5. (Secs. 61, 117, 162; '86 Code.)

Rev. Rul. 76-62, 1976-1 C.B. 12.

**164.19 Marine Corps officer; degree in law; bar examination.** Expenses incurred by a Marine Corps artillery officer for a law school education, bar review course and bar examination in order to qualify as a legal officer are nondeductible personal expenses. §§1.162-5, 1.262-1. (Secs. 162, 262; '86 Code.)

Rev. Rul. 72-450, 1972-2 C.B. 89.

**164.20 Navy Captain; degree in personnel administration.** Expenditures incurred by a U.S. Navy Captain, whose assignments involve primarily command and administration of personnel, in obtaining a Master of Arts in Personnel Administration are deductible educational expenses. §1.162-5. (Sec. 162, '86 Code.)

Rev. Rul. 69-199, 1969-1 C.B. 51.

**164.21 Psychiatric training; internist.** The costs incurred by a practicing internal medicine specialist in taking a course in psychiatric analysis and techniques to improve and maintain the skills used in his general practice are deductible business expenses. (Sec. 162, '86 Code.)

John S. Watson, 31 T.C. 1014, Nonacq., 1963-2 C.B. 6.

**164.22 Research and typing doctoral dissertation.** Where the cost of the related educational courses qualify as deductible business expenses, reasonable expenses for research and typing incurred in the preparation of a dissertation to obtain a graduate doctoral degree are also deductible business expenses. §1.162-5. (Sec. 162, '86 Code.)

Rev. Rul. 67-421, 1967-2 C.B. 84.

**164.23 Review course; State certified public accountant examination.** Expenses incurred by a taxpayer in taking a review course preparatory to taking the State examination leading to a certificate as a certified public accountant are nondeductible personal expenses. §§1.162-5, 1.262-1. (Secs. 162, 262; '86 Code.)

Rev. Rul. 69-292, 1969-1 C.B. 84.

**164.24 Servicemen attending university.** The expenses incurred by an Army captain, an instructor in the gunnery department of an Army Artillery school, in taking courses in psychology, public administration, foreign relations, history, government, and photography while meeting the residence requirements of a university in order to obtain a degree, under a plan authorized by Army Regulations No. 621-5, as amended, are nondeductible personal expenses. The regular pay received by the officer while attending the university is includible in gross income. §§1.61-1, 1.162-5, 1.262-1. (Secs. 61, 162, 262; '86 Code.)

Rev. Rul. 61-133, 1961-2 C.B. 35.

**164.25 Teachers; certificate requirements.** An employed teacher who has met the minimum educational requirements for a permanent teach-

ing certificate in one State may deduct the costs incurred for prescribed educational courses necessary to qualify as a teacher in another State. §1.162-5. (Sec. 162, '86 Code.)

Rev. Rul. 71-58, 1971-1 C.B. 55.

**164.26 Teachers; certificate requirements.** An employed teacher who is certified to teach in Canada may deduct the costs incurred for prescribed educational courses necessary to qualify as a teacher in the U.S. §1.162-5. (Sec. 162, '86 Code.)

Roger Laurano, 69 T.C. 723, Acq., 1978-2 C.B. 2.

**164.27 Teachers; summer school.** Expenses incurred by a teacher to attend summer school in compliance with a directive from her employer were deductible. (Sec. 23(a), '39 Code; Sec. 162, '86 Code.)

Robert S. Green, 28 T.C. 1154, Acq., 1959-1 C.B. 4.

**164.28 Teachers on sabbatical leave.** The traveling expenses of teachers on sabbatical leave will be deductible as business expenses only if and to the extent that the travel is directly related to the duties of the teacher in his teaching profession, due consideration being given to the normal duties of that position. Rev. Rul. 55-412 revoked. §§1.162-5, 1.262-1, 1.274-5. (Secs. 162, 262, 274; '86 Code.)

Rev. Rul. 64-176, 1964-1 (Part 1) C.B. 87.

**164.29 University's continuing education program; outside U.S.** Expenses incurred in connection with a university's continuing education program that combines foreign travel with attendance at brief education-oriented conferences are non-deductible personal expenses, except to the extent that they are for registration fees and any other expenses incurred that are directly attributable and properly allocable to the taxpayer's trade or business, subject, where applicable, to the provisions of sections 274(d) and 274(h). §1.162-5. (Sec. 162, '86 Code.)

Rev. Rul. 84-55, 1984-1 C.B. 29.

**164.30 Veterans, etc; allocable to tax-exempt income.** Veterans and other students may not deduct educational expenses, and ministers may not deduct interest and taxes paid on a personal residence, to the extent the amounts expended are allocable to tax-exempt income. Rev. Ruls. 62-212 and 62-213 revoked. §§1.107-1, 1.117-1, 1.162-1, 1.163-1, 1.164-1, 1.265-1, 301.7805-1. (Secs. 107, 117, 162, 163, 164, 265, 7805; '86 Code.)

Rev. Rul. 83-3, 1983-1 C.B. 72.

**164.31 Veterans; flight training.** An airline pilot may not deduct any otherwise allowable flight training expenses to the extent the expenses are directly reimbursed by the Veteran's Administration pursuant to 38 U.S.C. section 1677. Rev. Rul. 62-213 distinguished and clarified. §1.162-5, 1.262-1. (Secs. 162, 262; '86 Code.)

Rev. Rul. 80-173, 1980-2 C.B. 60.