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## Doesn't Count

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Can you deduct the cost of going back to a school to get ahead in your career? It depends. If you pass a definitive tax law test, certain expenses are deductible on your personal tax return, albeit as miscellaneous expenses subject to an annual limit. In other cases, no deductions are allowed at all.

The tax law is clear on this issue whether you're returning to school full-time or just

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two requirements, you still flunk out if either:

- The education is needed to meet the minimum educational requirements of your present trade or business.
- The education is part of a study program that will qualify you for a new trade or business.

This is where things often become blurry. If you take courses that could ultimately lead to an advanced degree, like an MBA or law or medical degree, the IRS could say that the studies qualify you for a new trade or business, even if you don't intend to switch your field. Not surprisingly, this issue is often contested in the courts. Despite a handful of isolated incidents, the IRS usually prevails. In the latest example, a CPA was denied deductions for law school tuition and fees (Santos, TC Memo 2016-100, 5/17/16).

Assuming you pass the tax law test – and the coursework doesn't qualify you for a new trade or business – expenses such as tuition, books, laptops, lab fees, supplies and similar items; costs of writing, researching and preparing term papers; and some travel and transportation expenses may be deductible. Generally, deductible transportation expenses are limited to the cost of travel between home and school. For instance, if you go to work in the morning, then to school in the evening and finally home, the travel from work to school isn't deductible, but the trip between school and your home is.

Even if you qualify, however, business education expenses are deducted as miscellaneous expenses subject to the usual threshold of 2% of adjusted gross income (AGI). If you don't clear this 2%-of-AGI floor, none of the expenses are deductible on your tax return.

These are hard lessons for many taxpayers to learn. When possible, other

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