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Deductible Business Expense

It's smart to try to get ahead in your field or at least keep pace with the latest developments. So some of your clients may be planning to put down their work tools and pick up books again as another school year beckons. Can a taxpayer deduct any education expenses if he or she is already working? Regardless of your intentions, it all depends on whether or not you pass the tax law test.

Ken Berry • Jun. 03, 2014



[This is the ninth in a [series of articles on tax strategies](#) for small businesses and individuals.]

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Unfortunately, it's not easy to get a passing grade. To qualify for deductions, at least one of these two requirements must be met:

- The education is required by your employer or the law to keep your present job or present work status. This must serve a legitimate business interest.
- The education maintains or improves skills needed in your present job.

But that's not all. Even if you meet one of those 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 tricky. If you take some courses that could ultimately lead to an advanced degree, like an MBA or law or medical degree, the IRS will likely say that the studies qualify you for a new trade or business, even if it's not your intention to switch careers. Not surprisingly, this issue is often contested in the courts. Despite a few isolated incidents, the IRS usually prevails against taxpayers.

Assuming your client passes the tax law test – and the coursework doesn't qualify him or her for a new trade or business – deductions may be claimed for expenses like tuition, books, laptops, lab fees, supplies and similar items; education-related expenses like costs of writing, researching and preparing term papers; and certain travel and transportation expenses. Generally, deductible transportation expenses are limited to the costs 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 ride home from school is.

There's yet another tax law requirement: Business education expenses are deducted

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your client must contend with the 2%-of-AGI floor.

Income Tax • IRS

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