T.I.R. 139, 1943 WL 8517 (T.C. 1943)

r
r

Expenses incurred in preparing scholarly work to demonstrate scholastic attainments, with the hope of future career advancement rather than immediate profit, are not deductible as ordinary and necessary business expenses.

r
r

Summary

r

A Yale research professor sought to deduct expenses related to preparing and publishing scholarly works, arguing they were business expenses under Section 23(a)(1)(A) of the Internal Revenue Code. He admitted he did not expect direct profit, but anticipated the works would enhance his reputation and lead to a lucrative position, potentially as a college president. The court disallowed the deduction, reasoning that the professor's activities were akin to a student's investment in education, which constitutes a capital investment rather than a current business expense.

r
r

Facts

r

The taxpayer was a research professor at Yale University who received no compensation from the university. He incurred expenses related to the preparation and publication of scholarly and literary works. He did not expect immediate profit from these works. He hoped the publications would demonstrate his abilities and attainments, leading to a higher-paying position in the future, such as a college presidency.

r
r

Procedural History

r

The taxpayer claimed a deduction for these expenses on his federal income tax

© 2025 SCOTUSreports.com. All rights reserved.

return. The IRS disallowed the deduction. The taxpayer then petitioned the Tax Court for a redetermination of the deficiency.

r
r

Issue(s)

r

Whether expenses paid for services incident to the preparation and publication of scholarly and literary matter, from which the taxpayer did not expect immediate profit but hoped would lead to future career advancement, are deductible as ordinary and necessary business expenses under Section 23(a)(1)(A) of the Internal Revenue Code.

r
r

Holding

r

No, because the taxpayer's activities were not considered carrying on a trade or business but instead were investments in his future earning potential, similar to educational expenses.

r
r

Court's Reasoning

r

The court reasoned that the taxpayer was not engaged in the business of writing or preparing books primarily for profit. Instead, his work was an investment in his future career. The court likened his position to that of a student preparing for a profession, stating, "His position was similar to that of any student preparing and training himself for a profession or lifework; he builds a foundation of learning upon which his future living and earnings are to be based. The expenses incurred in preparing himself are in essence the cost of the capital structure from which his future income is to be derived." The court distinguished the case from *Doggett v. Burnet, 65 F.2d 191 (D.C. Cir. 1933)*, where the taxpayer was actively selling books, even if the primary purpose was to spread a doctrine, making the expenses directly connected to a business. In this case, the expenses were incurred to demonstrate scholastic attainments, which were the subject of future exploitation. The court concluded that while these expenses might be

© 2025 SCOTUSreports.com. All rights reserved.