Corbett v. Commissioner, 55 T. C. 884 (1971)

Educational expenses are not deductible as business expenses under section 162(a) unless the taxpayer is actively engaged in carrying on a trade or business at the time of the expenditure.

Summary

In Corbett v. Commissioner, the Tax Court held that Amaryllis Corbett's graduate study expenses were not deductible as business expenses. Corbett, previously a teacher, left her job to pursue a Ph. D. full-time. The issue was whether she was still engaged in the teaching profession during her studies. The court found that Corbett was not actively teaching or seriously seeking teaching employment during her studies, thus her educational expenses were personal and not deductible under section 162(a). This decision emphasizes the need for a clear connection between educational pursuits and current business activities to claim a deduction.

Facts

Amaryllis Corbett, a teacher of Germanic languages, resigned from her position at Hunter College in 1966 to pursue a Ph. D. at New York University. She believed additional education was necessary for tenure eligibility. During her studies from 1966 to 1968, she did not hold a teaching position and was not under contract to return to teaching. Corbett sought teaching positions sporadically but did not accept one offered in 1966 due to logistical concerns. In 1969, she made more concerted efforts to find a teaching job but had not secured one by the time of the trial in 1970. On their 1967 tax return, the Corbetts claimed a deduction for her educational expenses, which the Commissioner disallowed.

Procedural History

The Commissioner determined a deficiency in the Corbetts' 1967 Federal income tax and disallowed the deduction for educational expenses. The Corbetts petitioned the U. S. Tax Court for a redetermination of the deficiency. The Tax Court heard the case and issued its opinion in 1971, deciding in favor of the Commissioner.

Issue(s)

1. Whether Amaryllis Corbett was carrying on the trade or business of teaching within the meaning of section 162(a) of the Internal Revenue Code of 1954 during her graduate studies in 1967.

Holding

1. No, because Corbett was not actively engaged in teaching or seriously seeking teaching employment during her graduate studies, and thus her educational expenses were personal and not deductible under section 162(a).

© 2025 SCOTUSreports.com. All rights reserved.

Court’s Reasoning

The Tax Court applied the legal rule that educational expenses are deductible under section 162(a) only if they are incurred while carrying on an existing trade or business. The court found that Corbett was not engaged in the trade or business of teaching during her studies because she was not currently employed as a teacher, not on leave from a teaching position, and not actively seeking teaching employment. The court distinguished this case from Furner v. Commissioner, where the taxpayer’s educational program was considered a normal incident of the teaching profession, noting that Corbett’s absence from teaching was much longer and her efforts to return to teaching were not sufficiently diligent. The court also cited Canter v. United States, where a nurse’s educational expenses were not deductible during a prolonged absence from her profession. The court emphasized that Corbett’s testimony about seeking teaching positions was vague and her efforts were not convincing, especially given her personal reasons for leaving her teaching job. The court concluded that Corbett’s educational expenses were personal under section 262 and thus not deductible.

Practical Implications

This decision impacts how taxpayers should analyze the deductibility of educational expenses. It establishes that a taxpayer must be actively engaged in their trade or business at the time of the educational expenditure to claim a deduction under section 162(a). Legal practitioners advising clients on tax deductions for education must ensure clients can demonstrate a current and active connection to their profession during their studies. Businesses and educational institutions may need to provide more structured leave programs or employment assurances to support such deductions. Subsequent cases like Furner and Canter have been distinguished based on the taxpayer’s level of engagement with their profession during education. This ruling underscores the importance of maintaining a clear link between professional activities and educational pursuits for tax purposes.

© 2025 SCOTUSreports.com. All rights reserved.