***Frost v. Commissioner, 61 T. C. 488 (1974)***

College training and activities do not constitute 'work' under the income averaging provisions of the Internal Revenue Code.

**Summary**

William Frost, a professional baseball player, sought to use income averaging for a $15,000 signing bonus received from the San Francisco Giants in 1966. The Tax Court ruled that Frost could not utilize income averaging because his college baseball activities did not qualify as 'work' under Section 1303(c)(2)(B) of the Internal Revenue Code. The court determined that 'work' must involve gainful employment, and Frost's college training, despite being crucial to his development as a professional athlete, did not meet this criterion since it was not compensated as employment.

**Facts**

William Frost was a professional baseball player who received a $15,000 signing bonus from the San Francisco Giants in 1966. Frost had played baseball at the University of California on a scholarship from 1963 to 1966. He was drafted by the Giants in 1966 and signed a contract that included the bonus payment. Frost attempted to use the income averaging provisions of the Internal Revenue Code to spread the tax liability of the bonus over several years, arguing that the bonus was attributable to his college baseball performance during the base period years of 1962-1965.

**Procedural History**

Frost filed an amended tax return in 1969 claiming a refund based on income averaging. The IRS issued a statutory notice of deficiency in 1970, asserting that Frost was not eligible for income averaging. Frost petitioned the U. S. Tax Court for a redetermination of the deficiency.

**Issue(s)**

1. Whether Frost's activities playing college baseball constitute 'work' within the meaning of Section 1303(c)(2)(B) of the Internal Revenue Code.

2. If so, whether the $15,000 signing bonus was attributable to such 'work' performed during the base period years.

**Holding**

1. No, because Frost's college baseball activities did not constitute 'work' as they were not gainful employment but rather training to become a professional athlete.

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2. Since Frost's college activities did not qualify as 'work,' the court did not need to address whether the bonus was attributable to those activities.

**Court's Reasoning**

The court analyzed the statutory language and legislative history of Section 1303(c)(2)(B), which allows income averaging if more than half of a taxpayer's income in the computation year is attributable to 'work' performed in two or more of the base period years. The court defined 'work' as gainful employment that generates income, either from an employer or self-employment. It rejected Frost's argument that his college baseball training constituted 'work,' stating that such training was not compensated as employment but was aimed at developing skills to eventually obtain a professional contract. The court cited previous cases like Heidel and Wilson, which involved similar issues with college athletes and beauty pageant winners, respectively, to support its conclusion. The court emphasized that while Frost's training was essential to his professional career, it did not meet the statutory definition of 'work' under the income averaging provisions.

**Practical Implications**

This decision clarifies that college training and activities, even if essential to developing professional skills, do not qualify as 'work' for the purposes of income averaging under Section 1303(c)(2)(B). Attorneys and tax professionals should advise clients that income received as a signing bonus or similar payment for future services cannot be averaged based on prior unpaid training or college activities. This ruling impacts professional athletes, artists, and others who receive lump-sum payments after periods of unpaid training or education. It also underscores the importance of careful tax planning for individuals expecting large income fluctuations, as they may not be able to utilize income averaging provisions based on pre-professional training.

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