

Grover v. Commissioner, 68 T. C. 598 (1977)

Educational expenses are not deductible if they qualify the taxpayer for a new trade or business.

Summary

In *Grover v. Commissioner*, the Tax Court ruled that Orrin Grover, a Marine Corps officer, could not deduct his law school expenses as business expenses under IRC section 162. Grover argued that his law studies were necessary for his military duties, but the court found that his education qualified him for a new trade or business as a judge advocate, making the expenses nondeductible. Additionally, his claimed home office expenses were denied due to insufficient evidence. The case highlights the distinction between education that maintains or improves existing skills and education that qualifies one for a new profession.

Facts

Orrin Grover, a commissioned Marine Corps officer, graduated from the Naval Academy in 1970. After completing Officers' Basic School, he worked in the Military Law Department and later at a base legal office. In 1971, he was placed on excess leave to attend law school at Golden Gate University, continuing to perform military duties during summer breaks. He graduated in 1974, passed the California bar exam, and was discharged from the Marine Corps in 1975. Grover sought to deduct his law school and home office expenses on his 1972 tax return, claiming they were necessary for his military duties.

Procedural History

The Commissioner of Internal Revenue disallowed Grover's deductions, leading to a deficiency notice. Grover filed a petition with the U. S. Tax Court, which heard the case and ruled in favor of the Commissioner, denying the deductions for both law school and home office expenses.

Issue(s)

1. Whether Grover's law school expenses were deductible under IRC section 162 as ordinary and necessary business expenses.
2. Whether Grover's home office expenses were deductible as ordinary and necessary business expenses under IRC section 162.

Holding

1. No, because Grover's law school expenses were incurred in pursuit of a program that qualified him for a new trade or business, namely, the practice of law as a judge advocate.
2. No, because Grover failed to provide sufficient evidence to show that the home

office expenses were ordinary and necessary business expenses.

Court's Reasoning

The court applied IRC section 162 and the regulations under section 1.162-5, which state that educational expenses are not deductible if they are part of a program that qualifies the taxpayer for a new trade or business. The court used a “commonsense approach” to determine that Grover’s law school education qualified him for a new trade or business as a judge advocate, a position with distinct tasks and activities from his previous military roles. Despite performing some legal tasks before law school, Grover was not qualified to act as a military judge or chief trial counsel at a general court-martial without completing law school and passing the bar exam. The court also noted that Grover’s military occupational specialty changed from “basic lawyer” to judge advocate upon completing these requirements. Regarding the home office expenses, the court found that Grover did not provide sufficient evidence to substantiate the claimed deduction.

Practical Implications

This decision clarifies that educational expenses leading to a new trade or business are not deductible, even if they are related to current employment. Practitioners should advise clients that only education maintaining or improving existing skills is deductible. The case also underscores the importance of substantiating deductions with adequate evidence. For similar cases, attorneys should focus on whether the education enables the taxpayer to perform substantially different tasks or activities. This ruling has implications for military personnel and others seeking to deduct educational expenses, emphasizing the need to distinguish between education for current duties and education for a new profession. Subsequent cases, such as *Davis v. Commissioner*, have applied similar reasoning in determining the deductibility of educational expenses.