

***Linda M. Liberi Toner v. Commissioner of Internal Revenue, 71 T. C. 772 (1979)***

Educational expenses are not deductible if they enable a taxpayer to meet the minimum educational requirements for another trade or business.

**Summary**

Linda Toner, a Catholic elementary school teacher, sought to deduct her college expenses incurred in 1973 while earning a bachelor's degree. The IRS disallowed the deduction, arguing the education enabled her to meet the minimum requirement for teaching in public schools. The Tax Court agreed, holding that under Section 1.162-5(b)(2) of the Income Tax Regulations, educational expenses are not deductible if they qualify a taxpayer for another trade or business, even if the education also maintains current skills. The decision clarified that a teacher's education to obtain a bachelor's degree is not deductible if it enables them to meet the minimum educational requirements for teaching in public schools.

**Facts**

Linda Toner was employed as a lay teacher at St. Clement's Catholic Elementary School in Philadelphia in 1973. The minimum educational requirement for her position was a high school diploma, but she was also required to earn 6 college credits annually until she obtained a degree. Toner had always planned to attend college and become a teacher. In 1973, she completed her bachelor's degree, incurring expenses of \$906.28 which she claimed as a deduction on her tax return. The IRS disallowed the deduction, asserting that the education enabled her to meet the minimum educational requirement for teaching in public schools, which generally required a bachelor's degree.

**Procedural History**

Toner filed a petition in the U. S. Tax Court challenging the IRS's disallowance of her educational expense deduction. The Tax Court held for the Commissioner, denying the deduction on the grounds that the education enabled Toner to meet the minimum educational requirements for teaching in public schools.

**Issue(s)**

1. Whether educational expenses incurred to obtain a bachelor's degree are deductible when the education enables the taxpayer to meet the minimum educational requirement for teaching in public schools?

**Holding**

1. No, because under Section 1.162-5(b)(2) of the Income Tax Regulations, educational expenses are not deductible if they enable the taxpayer to meet the

minimum educational requirements for another trade or business.

### **Court's Reasoning**

The court applied Section 1.162-5(b)(2) of the Income Tax Regulations, which disallows deductions for educational expenses that meet the minimum educational requirements for qualification in the taxpayer's employment or another trade or business. The court determined that while Toner met the minimum requirements for her current position at St. Clement's, her education enabled her to meet the minimum requirements for teaching in public schools, which generally required a bachelor's degree. The court emphasized that it was immaterial whether Toner actually intended to teach in public schools; the fact that her education qualified her for another trade or business was sufficient to disallow the deduction. The court also noted that the regulations do not allow for allocation of expenses between business and personal purposes when education serves both. The court rejected Toner's constitutional arguments, finding no evidence of discrimination against Catholic school teachers and no excessive entanglement in religious affairs by the IRS.

### **Practical Implications**

This decision clarifies that educational expenses for teachers are not deductible if they enable the teacher to meet the minimum educational requirements for teaching in public schools or other institutions with higher requirements. Practitioners advising teachers should be aware that expenses for education leading to a bachelor's degree or other minimum requirements for teaching in public or nonreligious private schools are likely not deductible, even if the education also maintains or improves current teaching skills. The case highlights the importance of understanding the specific requirements of a taxpayer's current and potential future employment when advising on the deductibility of educational expenses. Subsequent cases have followed this reasoning, reinforcing the principle that education enabling qualification in another trade or business is not deductible. Practitioners should also note that the IRS's position in this case was upheld despite strong dissents, indicating the firmness of this legal standard.