## *Sharon A. Bochow v. Commissioner of Internal Revenue, 73 T. C. 1064 (1980)*

Education expenses are not deductible if they qualify the taxpayer for a new trade or business, even if not pursued, and bank charges are not deductible if the account serves multiple purposes including personal use.

### Summary

In Sharon A. Bochow v. Commissioner, the Tax Court ruled that Bochow could not deduct her 1976 education expenses because the courses she took were part of a program leading to a new career as a probation officer, not maintaining her current clerical job skills. Additionally, the court disallowed the deduction of bank charges for maintaining a checking account used primarily for personal purposes, as it was impractical to allocate costs to tax recordkeeping. The decision clarifies the criteria for deducting education and bank charges under the Internal Revenue Code, emphasizing the necessity of direct relation to current employment and the impracticality of cost allocation for mixed-use accounts.

### Facts

Sharon A. Bochow, a resident of California, was employed as a clerk III in the Mendocino County probation office in 1976, where her duties were clerical in nature. During that year, she attended California State College, Sonoma, taking courses in psychology, sociology, anthropology, and political science as part of a program leading to a B. A. in criminal justice administration. Bochow occasionally worked with probation officers on a non-clerical basis, but this was voluntary and not required by her job. She also maintained a checking account used for various purposes, including tax recordkeeping, and incurred $36 in bank charges. Bochow sought to deduct her education expenses and the full cost of maintaining her checking account.

### Procedural History

The Commissioner of Internal Revenue determined a deficiency in Bochow’s 1976 income tax, leading Bochow to petition the Tax Court. The court heard the case and issued a decision on the deductibility of Bochow’s education expenses and bank charges.

### Issue(s)

1. Whether Bochow is entitled to deduct her 1976 education expenses as a business expense?
2. Whether Bochow is entitled to deduct the cost of maintaining her checking account as a tax-records expense?

### Holding

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1. No, because the courses taken were part of a program qualifying her for a new trade or business as a probation officer, not maintaining her current clerical skills.
2. No, because the checking account was used for multiple purposes, primarily personal, making it administratively impractical to allocate costs to tax recordkeeping.

**Court's Reasoning**

The court applied Section 1. 162-5 of the Income Tax Regulations, which allows deduction of education expenses if they maintain or improve skills required in the taxpayer's employment, but not if they qualify the taxpayer for a new trade or business. Bochow's courses were part of a program leading to a B. A. in criminal justice administration, aimed at qualifying her for a probation officer position, which was a new trade or business. The court noted that Bochow's voluntary, sporadic work with probation officers did not change the nature of her clerical job. The court also considered the impracticality of allocating bank charges to tax recordkeeping, as the account served multiple purposes, primarily personal. The court referenced Ryman v. Commissioner, emphasizing the difficulty in apportioning costs for mixed-use accounts.

**Practical Implications**

This decision impacts how taxpayers and tax professionals should analyze the deductibility of education expenses and bank charges. Education expenses are not deductible if they qualify the taxpayer for a new trade or business, even if the new career is not pursued. This ruling emphasizes the importance of direct relation to current employment for education deductions. Regarding bank charges, the decision sets a precedent that costs cannot be deducted if the account serves multiple purposes, including personal use, due to the administrative impracticality of cost allocation. This may lead taxpayers to maintain separate accounts for tax recordkeeping to ensure deductibility. The ruling has influenced subsequent cases and IRS guidance on these issues, reinforcing the need for clear distinctions between personal and business expenses.

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