

## ***Fay v. Commissioner, 76 T. C. 408 (1981)***

Educational expenses for children with learning disabilities may be deductible as medical expenses if they are for a special program directly related to treating the disability.

### **Summary**

In *Fay v. Commissioner*, the Tax Court addressed whether tuition paid for children with learning disabilities at a private school could be deducted as medical expenses. The Fays sent their children to Whitby School, which offered a Montessori education supplemented by a language development program (DLD) for learning-disabled students. The court held that regular tuition was not deductible because Whitby was not a “special school” primarily for medical care. However, the additional fee for the DLD program, which directly addressed the children’s learning disabilities, was deductible as a medical expense under Section 213 of the Internal Revenue Code.

### **Facts**

The Fays’ children, Jennifer and Kevin, were diagnosed with learning disabilities in 1972-73. After unsuccessful attempts to get help from public schools, the Fays enrolled their children in Whitby School in 1973. Whitby used the Montessori method but also offered a department of language development (DLD) program for students with learning disabilities. In 1975, the Fays paid \$5,115.45 in regular tuition and an additional \$1,800 for the DLD program. They claimed both amounts as medical expense deductions on their 1975 tax return, which the IRS disallowed.

### **Procedural History**

The Fays filed a petition with the U. S. Tax Court challenging the IRS’s disallowance of their medical expense deductions. The Tax Court heard the case and issued its decision on February 26, 1981.

### **Issue(s)**

1. Whether the regular tuition paid to Whitby School for Jennifer and Kevin’s education is deductible as a medical expense under Section 213 of the Internal Revenue Code.
2. Whether the additional fee paid for the DLD program at Whitby School is deductible as a medical expense under Section 213 of the Internal Revenue Code.

### **Holding**

1. No, because Whitby School does not qualify as a “special school” under the regulations, and the regular tuition was not primarily for medical care.
2. Yes, because the DLD program was directly related to the treatment of the children’s learning disabilities, making the additional fee deductible as a medical

expense.

### **Court's Reasoning**

The court applied Section 213 of the Internal Revenue Code and related regulations, which allow deductions for medical care expenses. It distinguished between regular educational expenses and those for “special schools” that primarily provide medical care. The court found that Whitby School’s primary purpose was education using the Montessori method, not medical care, so it did not qualify as a “special school. ” Therefore, the regular tuition was not deductible. However, the DLD program was specifically designed to address learning disabilities and was separate from the regular curriculum. The court determined that the additional fee for this program qualified as a medical expense because it was directly related to treating the children’s mental handicaps. The court emphasized that the therapeutic nature of the services, not the title of the provider or the institution, determines deductibility. The court also noted prior cases like *Fischer v. Commissioner* and *Greisdorf v. Commissioner*, which established that mental disorders can be treated as diseases for tax purposes and that educational services can be deductible if they directly address such conditions.

### **Practical Implications**

*Fay v. Commissioner* provides guidance on the deductibility of educational expenses for children with learning disabilities. It clarifies that regular tuition at a school not primarily focused on medical care is not deductible, even if the school has programs for learning-disabled students. However, additional fees for specialized programs directly addressing a child’s disability may be deductible as medical expenses. This decision impacts how parents of children with learning disabilities should approach their tax planning and documentation of expenses. It also affects how schools structure and charge for specialized programs. Subsequent cases have cited *Fay* in analyzing the deductibility of educational expenses, often distinguishing between the primary purpose of the institution and the specific nature of the services provided.