



Robert W. Wood

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Dog Earns MBA---But Can He Deduct It On His Taxes?

Can a dog with an MBA deduct his tuition? Most **people** can't deduct the cost of getting an MBA on their taxes. The IRS says it's because it qualifies you for a new position. How about dogs when they get MBAs?

As Professor Paul Caron notes in [Dog Earns Online MBA \(For \\$7,300\)](#), Pete the dog is now highly qualified with a London MBA. No, this isn't some elite British university but rather the [American University of London](#), an online institution that awards degrees based on "previous experience."

[BBC's Newsnight](#) says obtaining a degree without work is easy if you have £4,500. See [American University of London Sells Study-Free MBA](#). The eligibility criteria must not be stringent, although Pete the dog did submit a one-page fake CV. Notably, it did not say he was a dog and even claimed that Pete had 15 years of work experience.



Chester, a pug, was awarded an online MBA from Rochville University, an online school suspected of being a degree mill.

Obedience school? No, but Pete listed a fictitious undergraduate degree from a U.K. university. Four **days** after applying, Pete got a congratulatory e-mail saying his application for a degree based on previous experience had been approved. All the university needed was his fee of £4,500 and he would be registered as an MBA graduate within about two weeks.

Pete is not the first dog to pursue a higher education. Chester, a pug, was awarded an online MBA from Rochville University in 2009. Chester is believed to be the [first dog](#) to be awarded an online master's degree based on work and life experience credentials.

And since any dog's income is likely to go up with an MBA, can he deduct the cost of tuition on his taxes? It depends. If education qualifies you for a new trade or business, it **doesn't** qualify for a tax deduction. The cost of getting a law degree or CPA license aren't deductible for that reason.

Even though you may not **want** to change careers and might never leave your job, a degree that qualifies you for a new job isn't deductible. With degrees that **don't** signal new careers, your own facts count. An MBA doesn't qualify you for a new career, so whether you can deduct it depends on your situation.

A good example of how to succeed in deducting educational expenses is [Lori Singleton-Clarke v. Commissioner](#). Lori had a nursing degree and worked as a nurse or medical administrator for 24 years. Already working in a managerial job, she boosted her skills with an online MBA. She deducted it, the IRS disagreed and she went to Tax Court.

The IRS argued that Lori's MBA qualified her for a new job—in fact, she got one! But the Tax Court believed her when she said she got the MBA to become more effective in her present duties and switched jobs only to work closer to home. She even showed she would have gotten the new job anyway—with or without the MBA! See [St. Mary's nurse challenges findings of IRS audit, and wins](#).

Despite Lori's success, Pete should not assume that he can deduct the cost of his MBA. A long line of MBA tax cases shows that many **people** lose, primarily based on the “new job or career” rationale. Dogs? The jury's still out.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.