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More Tax Breaks For Education

Many employees and business people spend money on continuing education for work, career, pleasure or a mix of factors. A surprising amount can be deducted on your taxes, as I noted [here](#). The biggest restriction on deducting education expenses is that it can't qualify you for a new job or career.

That means the cost of a basic college degree is almost never deductible as a work or career-related educational expense. After all, a bachelor's degree qualifies the graduate for a host of new jobs. A law, nursing or medical degree can't be deducted for that reason. But an MBA is less clear.

Most people who try to deduct an MBA fail, but not all. Take [Lori Singleton-Clarke](#) who won by showing she was **already** working in a manager's job and got the MBA just to sharpen her skills.

What about paying for college for yourself or your child? Provided they don't earn too much, parents can claim a [\\$2,500 per child American Opportunity Tax Credit](#) for their undergraduate college student children.



Adults who already have an undergraduate degree, who only go part time or who have a felony drug conviction don't qualify.

Adults may be able to claim the [Lifetime Learning Credit](#) equal to 20% of qualified education expenses up to \$10,000—for a maximum credit of \$2,000. Unfortunately, the income cutoff for Lifetime Learning is even lower than for the undergraduate credit. It begins to phase out for singles with modified adjusted gross income above \$48,000 and couples above \$96,000. For details on educational credits, see IRS [Publication 970](#).

Beyond these points, you may just want to look at how to deduct educational expenses that are either required in your job or that help maintain your skills. For details, see [Tax Breaks For MBAs And More](#).

What counts as a deductible education expense is surprisingly broad. Examples include:

- An elementary school teacher took a sabbatical in Ireland reading children's literature and was able to deduct it. See [McCulloch v. Commissioner](#).
- A social worker was able to deduct the cost of her **own** psychoanalysis as educational. See [Vogt v. Commissioner](#).
- An airline engineer was allowed to deduct the costs of flying his own plane. See [Boser v. Commissioner](#).

But watch out for the “new career” rule. Examples:

- A CPA couldn't deduct the cost of a law degree even though he was only trying to improve his skills and never intended to practice law. See [O'Donnell v. Commissioner](#), 62 T.C. 781 (1974), *aff'd*, [519 F.2d 1406 \(7th Cir. 1975\)](#).
- An IRS agent tried to deduct law school since he figured it would make him a better IRS agent. Nope, he lost. See [Weiler v. Commissioner](#).

Bottom Line. The definition of job-related education is surprisingly lax. Skills courses, personal development courses, and even certain activities not involving formal instruction may be considered education. It's usually possible to predict what the IRS will disallow.

For more, see:

[Ten Rules For Deducting Career Education](#)

[Who benefits from student loans and educational tax benefits?](#)

[Two Tax Credits for Higher Education](#)

[IRS Publication 970: Business Deduction For Work Related Education](#)

[IRS Tax Topic 513: Educational Expenses](#)

[Deductibility of Work Related Educational Expenses](#)

[IRS: Tax Incentives for Higher Education](#)

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