



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

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Dear \_\_\_\_\_ :

This letter responds to your inquiry to Congressman \_\_\_\_\_. You asked about the deductibility of education expenses you paid and whether you can file amended returns for \_\_\_\_\_ and \_\_\_\_\_. Because Congressman \_\_\_\_\_ is no longer in office, we are writing directly to you.

You took \_\_\_\_\_ courses in \_\_\_\_\_ and \_\_\_\_\_. Under a program the \_\_\_\_\_ (Public Law Number \_\_\_\_\_) established, the Department \_\_\_\_\_ reimbursed you for \_\_\_\_\_ % of your costs of taking the training courses.

Taxpayers can deduct all ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business (section 162(a) of the Internal Revenue Code (the Code)). A taxpayer can deduct expenses for education if the education maintains or improves skills he or she requires in his or her employment or other trade or business (section 1.162-5(a)(1) of the Income Tax Regulations). However, a business expense is not deductible if a taxpayer has or will receive reimbursement.

We denied your deductions for the \_\_\_\_\_ because the Department \_\_\_\_\_ reimbursed you for those expenses. You challenged the denial of your deductions for the reimbursed \_\_\_\_\_ expenses in the Tax Court and in the Circuit Court of Appeals. Your case, on remand from the \_\_\_\_\_ Circuit, was the subject

of a fully reviewed Tax Court opinion ( ). In its opinion, the Tax Court upheld the disallowance of your deductions for the reimbursed expenses.

An adverse decision of the Tax Court is an enforceable court judgment, and the Tax Court entered a decision against you. You had 90 days from the date the Tax Court entered its adverse judgment to appeal your case to the Circuit, the same court that reviewed your earlier appeal from the Tax Court. Because you did not appeal your case to the Circuit within the 90-day period, the adverse decision of the Tax Court became final and enforceable at the end of that 90-day period.

You also asked about your ability to file amended returns, or claims for refund, for and . The normal statute of limitations for filing claims for refund of federal income taxes is the later of three years from the date a taxpayer filed a tax return or two years from the date a taxpayer pays a tax. However, because you litigated your educational expense deductions in the Tax Court, your additional federal tax liabilities for and reflected in the Tax Court's adverse decision constitute a final judgment. This prevents any review of any refund claims for those liabilities by the Internal Revenue Service or by the federal courts. As a result, even if the statute of limitations for filing refund claims for your and tax years was still open, we could not issue refunds for those years nor could the federal courts order them as a matter of law.

I hope this information is helpful. If you have any questions, please contact , Identification Number , at .

Sincerely,

Thomas D. Moffitt  
Chief, Branch 2  
Office of Associate Chief Counsel  
(Income Tax & Accounting)