

The Not So Pokey Hokies

ABSTRACT:

“The Not So Pokey Hokies” is a running club comprised of runners participating in a wide range of running activities including charitable race participation, not-for-profit running organization management, nationally competitive racing, pacing, competitive team membership, coaching and collegiate sports. This case requires students to identify tax issues related to the running club members’ running activities and address the issues using tax research skills. Each runner in the case is based on a real person and is presented as a separate scenario with some common concepts across the scenarios. Specific concepts included are hobby versus profit activity classification, contractor versus employee role classification, income recognition, expense deductibility, charitable contribution deductions and athletic scholarship taxation. The modular nature of the case allows the instructor to assign specific tax issues or entire scenarios, depending on the nature of the class. As the students complete the case, they are required to use critical thinking to identify the issues and build tax research skills to address the issues. In addition, students gain technical knowledge through exposure to a variety of tax concepts and written communication skills through completion of a written analysis of the case.

THE CASE

Your friend Kristy Schippits has just graduated from her masters of accounting program and has moved to the Roanoke Virginia area where she is a tax associate at a large accounting firm. As you are catching up on the phone one day she mentions that she has joined a local running club called “The Not So Pokey Hokies”. Kristy is amazed by the variety of people she has met and describes the other runners and their activities. During the conversation Kristy states that several of the Not So Pokey Hokies members have been asking for tax advice regarding their running activities. Kristy asks you if you would be willing to join her in presenting a tax clinic to the club members in order to help inform them of the tax implications of their running activities. You are excited to see your friend and share your tax knowledge with the community; so you gladly accept. A description of the runners and their activities follows.

Heather

Heather is married with two children (one in middle school and one a college freshmen). She works full time in IT, her husband is a real estate agent. Heather is in her 40s. She runs 6-8 marathons a year as well as a variety of 10Ks, half-marathons and a few 5Ks. She rarely wins the races she enters, but she has recently been approached to be a pacer for 2 marathons each year, one in Florida and one in California. A pacer is a runner who helps other runners finish a race in a specific time. Half-marathons and marathons often provide pacing teams for a variety of finish times. Pacing teams are led by experienced racers who are trained to maintain a steady pace. The pacing company does not pay for her travel to get to the race, but they do provide complimentary meals and hotel. When she is a pacer the race entry fee is waived and one of the race sponsors, Sketchers, gives each pacer 2 pairs of running shoes along with logoed technical running shirts and shorts. Heather has qualified for and run the Boston Marathon for the past 3 years. She adheres to a rigorous training schedule and runs 5 to 6 days a week. Heather is a member of Westside gym where she lifts weights to supplement her running training.

Amy

Amy is married with a daughter in college. Amy is 62 and retired. Amy is a nationally ranked runner in her age group. She maintains a rigorous training schedule that extends into what would be considered “normal working hours” and meets with a professional coach. Her workout schedule is determined in cooperation with her coach, Jack Schuster, and is designed to maintain a level of fitness that enables her to compete at the elite level. She has been profiled in *Runner’s World*. She competes in marathons, half marathons and at the national long distance indoor track meets. She is classified as an elite runner in the marathon and half marathon races. Typically, she wins her age group. She has won her age group in the Boston, Chicago, Cleveland, Grandma’s and New York City marathons. In order to raise the profile of the race and ensure the presence of elite athletes, marathon organizers will sometimes invite her to attend and compete. As a high profile invited elite athlete she receives monetary awards ranging from \$1,200 - \$5,000 per race

just for participating. She often receives complimentary registration for the race, complimentary travel, meals, and hotel. Additionally, Amy often receives complimentary shoes, running tops and shorts. Amy has completed 11 Boston Marathons and placed 1st in her age group in 2009, 2011, 2012, 2013 and 2014. Although she still competes in marathons the recent focus of her training has been on the indoor championships.

Nicole

Nicole is a former All-American from Villanova. Nicole maintains a rigorous 6 day a week training schedule. She competes in many local races as well as at the national level. In 2014 she received a \$4,000 elite athlete grant from the USATF Foundation to help support her Olympic dream. She placed fourth at nationals this year in the 5k, just one spot from making the team to Berlin. Additionally, the USATF classifies Nicole as a Tier 1 athlete. As result she earned a \$6,250 stipend, a \$1,500 medical stipend for preventive care and items not covered via health insurance, and a \$2,000 stipend to cover the cost of a coach. Nicole's living expenses are minimal. She is currently living in her parents' second home. Her parents are very supportive of her dream of being an Olympic runner. They take care of all of the maintenance on the house and do not charge Nicole rent. Nicole applied to and was accepted as an elite athlete in the ZAP Fitness Foundation (ZAP) ZAP-Reebok program, a non-profit training center for post-collegiate, Olympic hopeful distance runners. As a result of her acceptance she trains at their facilities in Lenoir, NC for 6 months of the year. She receives a monthly stipend of \$500, has had her health insurance covered since her first 6 months on the team, and receives free physiological testing and sports psychology consultation, massage therapy and training and racing gear from Reebok. Her expenses such as travel, hotels, and training camps are reimbursed by a variety of foundations. She also receives training clothes that are provided by the Olympics official sponsor, Nike.

Trisha

Trisha is a faster runner who sometimes wins her age group and often places overall in the races that she runs. She runs mostly half marathons and other mid-range distance races near where she lives because of difficulty traveling with her three kids. There are some smaller races in her area that have cash prizes that she will win. This year she has won cash prizes totaling \$1,300. In addition to the cash, she has won a pair of running shoes with an estimated value of \$105, two different insulated water bottles estimated to be worth \$15 each, and a full set of reflective running gear with an estimated value of \$100. Her most interesting prize this year was an apple pie for winning 2nd place for her age group in the Thanksgiving Day 5k "turkey trot". She has not kept exact records of the cost of her race entry fees throughout the year, but she has run 15 races this year. She found credit card records for her online entry fees equaling \$600. However, she entered several spur of the moment races while traveling with her family and paid for those entry fees with cash. She estimates that she has spent an additional \$175 cash this year for race entree fees. When she is not running (for recreation or chasing after her kids), she teaches fitness

classes at a several local gyms. While the gyms do not require Trisha to work specific hours she does have to teach a predetermined number of classes each quarter in order to continue her instructor relationship with the gyms. Trisha gets paid by the class via a monthly check from each gym. Trisha is not responsible for maintaining the records surrounding her course enrollment, but courses are required to have at least 7 patrons enrolled in order to be maintained. Trisha is required to help with new instructor orientation, but does not have any hiring or firing authority. Trisha has attended specialized training sessions to be a certified Les Mills “Body Pump” instructor and a spinning instructor. The initial cost of the classes was \$290. In order to maintain her Body Pump certification she must attend live and digital quarterly training sessions. These additional sessions cost \$35 each. Trisha paid her initial course fee and is responsible for the cost of the quarterly training updates. There is a monthly license fee of \$10 per month that the West Side Gym pays for Trisha. Currently Trisha is attending “Cross Fit” instructor training classes in order to become a certified Cross Fit instructor at the West Side Gym. Trisha has workout clothes for running and teaching classes. When teaching Body Pump classes Trisha is required to wear officially licensed branded workout clothes sold online by the franchise that licenses the Body Pump courses. Two of the gyms where Trisha is a fitness instructor allow Trisha to purchase her clothes at a discount of 35%. Trisha buys separate running only shoes, but doesn’t maintain an entirely separate set of workout clothes for running and she will occasionally wear a pair of running shoes past their prime when she teaches her low impact weight lifting class.

Jack Schuster

Jack is the youngest of 14 children. Officially working at Schusters’ Sporting Goods store as the Corporate and Team Sales Manager since 2003, Jack is the youngest of the 16 Running Schusters. The Schuster family has a legacy of elite running, beginning with Jack’s parents. He joined the Schuster family business to help further grow outside sales. His educational background in Exercise Physiology brings a professional touch to his sales. Jack was an All-American runner in high school and college and is a member of the Roanoke High School and Virginia Tech University Hall of Fames. Jack is a member of the USA Track & Field registry (USATF) and the U.S. Track & Field and Cross Country Coaches Association (USTFCCCA). His coaching standards, methods and criteria are developed by the USATF and the USTFCCCA. Jack coaches high school cross country and junior high cross country and track, is an assistant cross country coach at the local university, and has personally trained many athletes including Amy and Nicole. Jack is paid twice a month by each of the schools where he coaches and publishes a rate schedule outlining the charges for his time as a personal running and triathlon coach. Jack keeps detailed records of his running, triathlon, swimming and coaching activities and consistently files a Schedule C with a detailed list of his related expenses. He has been competing in running events for 28 years and in triathlons for the past 7 years. He was a member of Team Timex for 4 years. Team Timex is a triathlon team made up of athletes hand selected based on athletic ability, community involvement, sport and brand ambassadorship, and overall

personality. Jack travels all over the country to compete in both road races and triathlons. His favorite race is Escape from Alcatraz. He is currently the President of the Star City Striders Running Club (SCSRC) and enjoys running, biking, and swimming. Jack and his wife have three children. In addition to his other activities Jack volunteers as the SCSRC youth cross country coach.

Jennifer

Jennifer is 32 years old and for the last six years has been employed as a manager by Ski USA, a distributor of ski equipment and boots. In the past two years as a 10k and half marathon runner she has participated in approximately 25 races. Although she has won about 1/3 of the races in which she was entered, Jennifer has incurred annual expenses that far exceed her annual income from racing. Jennifer trains extensively on a daily basis and recently purchased a treadmill to be able to run on at home when the weather is too nasty to allow running outside. She has sponsors who have provided her with the shoes, GPS watches, clothing, and, occasionally, race entry fees. Otherwise she pays her own expenses which include the costs of trainers, gym memberships, shoes, clothes, dietary supplements, transportation, lodging, and most entry fees. During the road racing season, she works a lighter schedule at SKI USA and also utilizes her vacation time. The USATF ranks Jennifer in the 10k.

Margaret

Margaret is Heather's daughter and has been joining the club for runs off and on over the last few years during her high school cross-country team's off-season. She received a scholarship to run on the cross country team at Virginia Tech University this year. Margaret is pursuing a degree in exercise science and has maintained a 4.0 GPA during her freshman year. The scholarship covers her tuition, fees, room, board and books. She also receives free meals under the university's meal plan and a \$200 stipend each month. She uses the stipend for entertainment. She is expected to run with the team Sunday-Friday, as well as attend mandatory study-hall and tutoring sessions. Virginia Tech provides all necessary training, clothing and shoes. The university provides laundry service for the training clothes and allows runners to have all of their laundry (i.e. non-training clothes) included. Should Margaret become injured her scholarship will still continue to cover her education costs without any additional requirements.

Grace

Grace could be competitive in races, but prefers to support other runners instead. For the last year she has served as the president of the Radford Running Club, a local non-profit running club. The mission of the club is to promote running in the local community. The club sponsors three major races during the year: a 4 miler and 15k both held in June and a half marathon in September. The June races are held on the same day and bring in 5,000 – 7,000 runners including short distance elites. The club also sponsors three major training programs during the year. There are two programs that start in April and run until June: Start Moving and Achieve your Goal.

Start Moving helps to prepare beginning runners to run the 4 mile June race. Initially this program met on Tuesday and Thursday nights with an optional Monday night fun run all held in Radford. The program outgrew a single location and now there are groups that meet other nights in the surrounding towns. The second spring program, Achieve your Goal, is designed to prepare more advanced runners for either the 15k or to improve their time on the 4 mile run. This is a smaller program and meets in Radford on Monday and Wednesday nights with an optional weekend long run. The other program, Keep Moving, runs during the summer. Keep Moving is similar to Achieve your Goal, but it prepares runners of all levels for the September half marathon. Individuals who want to be part of the club pay club dues. The races have regular registration fees, and there are separate registration fees for the training programs. Members and non-members can participate in the races and training programs, but members receive a discount on their registration fees. Grace is passionate about these programs, and she attends as many of the training events as she can to provide support for the runners and to check in with the volunteers and make sure the programs are running smoothly. This commitment has meant that she drives 30-50 miles in her car each week during the season to the various running sites. She and her husband prep and provide the water and Gatorade for the training runs. The club owns the coolers, but Grace purchases the Gatorade mix, cups, and trash bags which cost approximately \$100 per week.

Paula

Paula is a retired high school track coach who volunteers as a running coach and instructor for Fit Friends, a local non-profit organization that works to educate underprivileged youth about healthy lifestyles and habits. The organization runs a 10 week summer program for at-risk youths that incorporates running, nutritional coaching, and coaching on other life topics such as self-esteem, handling stress, etc. The program meets for classroom learning one night during the week and then there is an organized run each Saturday morning. Paula leads two of the classroom sessions. She meets with the students in the local inner-city community center kitchen where the group learns about cooking and nutrition and prepares a healthy meal that they then share. Paula purchases all of the ingredients for the preparation of the meal which costs around \$150-\$200 per session. On Saturday morning, she leads the organized run. The run meets at the community center track. The program partners with a local running store to provide running shoes to the students at a highly discounted price, but the shoes still cost \$30 per pair and each summer there are 3-4 students who are unable to afford the shoes. In these cases, Paula generally will purchase the shoes for the students in question. Paula lives about 30 miles away from the community center where the program is held and commutes to fulfill her volunteer responsibilities.

Violet, Henry, and Duncan

Violet, Henry, and Duncan are mid-speed runners. They will occasionally win an age group prize in a smaller race, but are never competitive for cash prizes. They run races of all distances, from 5ks to full marathons. They run for their health, the stress relief of it, and as a social activity with their other friends who run. They choose races based on what looks like fun and will sometimes travel for races, but unless they are picking up a race while on a vacation or have a friend that lives near a race so they can combine a visit and the race, they usually don't travel beyond the neighboring states. When they travel to a nearby race, they will often take their families and work fun family activities into the weekend as well. Violet will be visiting family in Atlanta over 4th of July next year and was considering trying to run The Peachtree Road Race. She was planning on taking a chance on the lottery entry, but then noticed an option to pay \$150, instead of the regular \$35, for guaranteed entry to the race. In the information about the \$150 option she notices that it states that \$115 of the race fees would then be tax deductible as a charitable contribution. She asks her friends Henry and Duncan if they have ever seen this type of option. She has never considered her running to have any kind of tax consequences. Henry tells Violet that he has been deducting 100% of any entry fees that he pays for races that benefit a charity as a charitable contribution on his taxes, since he figures that his race fees are going to that charity. Duncan tells Violet that he has been doing the same, but in addition, if he does travel to a race and the race benefits a charity, he will also deduct all of his travel expenses (mileage, air fare, hotel room, his meals) for the entire trip.

Kimberly

Kimberly isn't a fast runner, but she loves long distances. She often runs on charity teams. Her main charity team is the Juvenile Diabetes Research Foundation's team as her older sister suffers from Type I diabetes, but she will run on other teams just to get into races that she wants to run but is either not fast enough to qualify for (such as the Boston Marathon) or that she was not able to get a spot in due to lottery entry procedures (such as the Marine Corps Marathon). Kimberly will travel all over the country to be part of the charity teams. These trips are short and she generally flies out, runs the race, and flies back home. Depending on the cost of airfare and hotel, these trips can cost her between \$700 and \$1,200. She usually runs around 3 charity team marathons each year. Because she is working part-time and in school part-time, her parents will sometimes pay her travel costs. Each charity team has a required amount of donations, usually \$1,500-\$2,000, that she must raise in order to participate. If she is unable to raise the donations, she has to make up the difference or she is not allowed to participate in the race as part of the charity team. The charitable organization gives each member of the charity team a registration code that will allow the runner to register for the race without paying the registration fee. Kimberly found it hard to raise the funds required to be a charity team runner until she came up with the idea of selling baked goods to raise money. She takes orders and delivers them all over the city where she lives as well as a nearby city where a number of her running friends live. She takes payment for the baked goods either in cash or check. All of the money that she takes in

from her sales goes straight to the charity team donations. If a check is made out to the charity, she mails it directly to the charity, but sometimes the checks are made out to her. On a weekly basis she deposits all of the cash and checks made out to her into her bank account; makes one on-line payment to the charity. She enters the donations through her charity team donation website and receives a confirmation for the donations that has her name on it as the donor. She usually makes enough that she doesn't have any shortfall that she has to pay out of her own pocket. She has a set price that she charges for each type of baked good, but rarely does anyone pay just the stated price. Most people will kick in an extra \$5-\$20 because they know she is donating the money to charity. Because the orders require more ingredients than what Kimberly would normally keep on hand, she buys separate ingredients specifically for her charity baking.

Sandy

Sandy loves to run, but only participates in one organized run per year. She and a team of 3 other runners participate in the Cancer Research Hospital fundraising run each August. The team pays a \$200 entry fee and then each team member is required to raise \$3,000 in donations for the Cancer Research Hospital to be able to participate in the race. If a team member falls short of the \$3,000, they are required to pay the difference themselves. Sandy solicits for donations via social media. The donors pay the donations through her Cancer Research Hospital donation website. The donors receive a donation confirmation from Cancer Research Hospital. She has built up a pretty good set of annual sponsors, but generally ends up having to contribute up to \$500 herself each year to make the \$3,000 goal. When she pays the shortfall, she puts the donation through the same donation website and receives a confirmation just like the other donors. The team plus Sandy's husband, Ray, drive the 450 miles from their homes to the city where the main hospital is located for the start of the run. They pay for their hotel the night before the run and meals that they eat while making the trip. The runners run relay style all of the way from the city where the hospital is located back to their home city. Each team is required to have a runner on the course at all times. The runners who are not running ride in a shuttle bus provided and operated by the Cancer Research Hospital. All meals, sports drinks, and race fuel that the runners need is provided by the Cancer Research Hospital through donations by corporate sponsors. Ray drives his own car along the route to provide any necessities needed by the team (dry clothes, additional gel packs, anti-chaffing cream, etc.) that isn't provided by the Cancer Research Hospital and to be close by in case of an emergency. Even though the Cancer Research Hospital makes sure there is emergency medical care available on the course, Ray worries and it calms him to be there just in case.

REQUIREMENTS:

1. Use your knowledge of tax law to identify the tax issues faced by each runner related to their specific running activities.
2. Prepare an analysis and conclusion about the proper tax treatment of each of the identified issues. Include primary authority to support the suggested conclusion as well as any authority that is contrary to this position. Advise the club members how the activities should be included on their tax returns.
3. After the class has identified the issues faced by each runner, you will be assigned a specific runner's profile. Prepare a technical research memo summarizing your findings.
4. Prepare a letter to your assigned runner discussing your findings in non-technical terms.

CASE LEARNING OBJECTIVES AND IMPLEMENTATION GUIDANCE

Case Learning Objectives

The goals of the case are to increase the students' skills in four areas:

- Critical thinking skills by identifying tax issues for individual taxpayers using concepts accounting students learn in an introductory tax class,
- tax research proficiency by requiring students to find, review, and incorporate relevant authoritative guidance,
- technical knowledge by examining tax issues that are common to a diverse set of taxpayers,
- written communication skills by requiring students to prepare a written analysis of the case.

Implementation Guidance

This case is designed to be modular so that it can be used in different ways and be useful in different levels and types of tax classes. The case contains 12 different scenarios (runners or groups of runners that are all based on real people known by the authors) that, with the exception of one, can be grouped into three major categories based on the main issue in the scenario. Heather, Amy, Nicole, Jack, Jennifer, and Trisha all involve issues of classifying an activity as either hobby or for-profit and address related income recognition and expense deductibility issues for those activities. Jack and Trisha also involve issues of employee versus independent contractor classification. Finally, the following scenarios all involve charitable contribution issues: Grace; Paula; Violet, Henry & Duncan; Kimberly; and Sandy. The one scenario that does not overlap with any other scenario is Margaret which involves taxation of scholarship income. Each individual runner's fact scenario is slightly different and can stand on its own, and some of the tax issues involved in some scenarios are more complex or ambiguous than others. Table 1 provides guidance on the issues and relative complexity of the scenarios in this case.

Table 1: Scenarios by Issue and Complexity

	Gross Income Issues		Business/Hobby Deduction Issues		Scholarship Income Issues		Hobby or "For Profit" Issues		Employee or Independent Contractor Issues		Apportionment of Income Issues		Charitable Deduction Issues	
	<u>Complex</u>	<u>Simple</u>	<u>Complex</u>	<u>Simple</u>	<u>Complex</u>	<u>Simple</u>	<u>Complex</u>	<u>Simple</u>	<u>Complex</u>	<u>Simple</u>	<u>Complex</u>	<u>Simple</u>	<u>Complex</u>	<u>Simple</u>
Heather	Issue 2		Issue 3				Issue 1							
Amy		Issue 2		Issue 3				Issue 1						
Nicole	Issue 3						Issue 1				Issue 2			
Trisha		Issues 3 & 4		Issues 5 & 6			Issue 2		Issue 1					
Jack S.		Issue 3		Issue 4			Issue 2		Issue 1					
Jennifer			Issues 2 & 3	Issue 4			Issue 1							
Margaret					Issue 1									
Grace														Issue 1
Paula													Issue 1	
V, H, & D														Issues 1 & 2
Kimberly	Issue 4												Issues 1-3	
Sandy		Issue 5											Issues 1-4	

The flexibility of the case allows the instructor to pick and choose scenarios based on the type of course that is being taught. For a research course, an instructor may want to include more of the scenarios to provide a greater variety of potential research topics. In a class where research is a smaller component, an instructor may want to pick out a small selection of scenarios that relate to material covered in the course and use them as further reinforcement for the course material. For example, an instructor of an introductory tax course could include the receipt of running gear in the Heather scenario when covering the inclusion of non-cash property in gross income. The non-technical letter to the runner can be included in an introductory tax class to require students to practice professional writing when the students may not be equipped to write a technical research memo. The non-technical memo is also a good chance for students of all levels to practice communicating with clients, customers and others that do not have a technical accounting background.

Regardless of whether all or just some of the scenarios are being used, we recommend starting with issue identification and having the students in the course identify all of the issues that they can for the scenarios. The instructor can then lead the course discussion of the issues and make sure the students have identified the appropriate issues. Once the issues have been identified, one way to use the case is to choose the scenarios that are assigned for further research based on difficulty level in order to tailor the difficulty level to match the level of the course that the case is being used in. For a graduate level course, an instructor may want to assign just those scenarios which are more complicated while an instructor for an undergraduate course may want to assign the more straight-forward scenarios instead. Another way to use the case is to assign different scenarios with overlapping issues to different students or groups of students in the course. This allows the students to have a unique fact scenario that they are researching and will provide for a rich classroom discussion as the students will all be knowledgeable about the issues being discussed, but will have applied that knowledge to slightly different fact scenarios. A final way an instructor may want to use the case is to assign all the students the same fact scenario to research and vary which fact scenarios are being assigned from year to year to avoid transfer of information about the solutions between years.

In most of the solutions we rely on case law to support our preferred position. Running is a specialized activity and we did not locate any cases that dealt specifically with tax issues related to amateur or competitive running. This opens up the opportunity to discuss with students the fact that often there will not be a court case that involves the exact activity or fact pattern as their client and to instruct them to instead look for similarities to the client's activity or fact pattern. The hobby versus for-profit scenarios are particularly useful in illustrating how to identify appropriate court cases to rely on as there are numerous cases dealing with this tax issue. In certain situations, using court cases in which the court's ruling is opposite of the desired client outcome can be useful for the tax researcher. By showing that key aspects of a client's fact pattern differ from the fact pattern found in the court case, the researcher can differentiate the

disposition of their client's activity from that of the subject's in the court case and illustrate that the issue resulting from the client's activity should be resolved differently than that of the court case found. As is demonstrated in the suggested solutions to this case, the hobby versus for-profit scenarios can also be instructive in this regard.

An additional area of instruction provided by this case is an introduction to grey areas of the tax code. As result, the solutions to the issues provided may differ from those that might be reached by other researchers.

Evidence of Case Effectiveness

Thirty-four graduate students in a tax research course at a public university completed this case. The results of their anonymous posttest questionnaires are presented in Table 2. Over 82% of the students found the case interesting. A majority (79.41%) of the students found that the case improved their ability to locate appropriate guidance using a tax research service. Additionally, 70.59% of the students felt that this case effectively illustrates areas in the tax law where guidance is unclear, and 82.24% of the students felt the case improved their ability to apply primary tax sources to relevant facts to draw conclusions. Over 90% of the students felt the case improved their ability to identify tax issues, as well as, understand and summarize relevant information from a complex set of facts. 94% of the students felt that the case provided a valuable learning experience, and 97% of the students would recommend using the case again. A small number of the students provided unsolicited qualitative comments regarding the case effectiveness. The students stated that they found the case particularly valuable because it forced them to find and utilize court cases involving similar issues but in completely different activities as they were unable to find any cases that dealt specifically with runners. Additionally they stated that because they could not find cases that involved runners, they had to thoroughly evaluate the precedential value of the cases they did find in determining which ones to use for their memo. See Table 2 for the quantitative results of the questionnaire.

While this case has been primarily used in graduate tax research courses, it was also used in an introductory tax course by an instructor who is not an author of the case. In this particular class, the professor distributed a single runner scenario that contained the issue of running as a hobby or "for profit" activity to the entire class and required each student to utilize RIA to find a single case that related to the runner's scenario. In this instance the professor found this teaching case useful as an RIA training exercise, as well as, an introductory tax memo writing exercise.

Table 2
Posttest Questionnaire Results*

	Mean Response	Strongly Agree	Agree	Somewhat Agree	Neither Agree Nor Disagree	Somewhat Disagree	Disagree	Strongly Disagree
1. I found the case interesting.	5.67	41.18%	26.47%	14.71%	8.82%	5.88%	2.94%	0.00%
2. This case improved my ability to locate appropriate guidance using a tax research service.	6.80	14.71%	35.29%	29.41%	17.65%	0.00%	2.94%	0.00%
3. This case illustrated the gray areas in the tax law where guidance is unclear.	5.67	20.59%	32.35%	17.65%	17.65%	8.82%	2.94%	0.00%
4. This case improved my ability to identify common issues for individuals to include classifying activities as a hobby versus for profit.	5.67	17.65%	26.47%	32.35%	14.71%	5.88%	2.94%	0.00%
5. The case improved my ability to identify common issues for individuals to include classifying an individual as an employee or independent contractor.	6.80	14.71%	38.24%	32.35%	11.76%	0.00%	2.94%	0.00%
6. The case improved my ability to identify common issues for individuals to include identifying items that are deductible as charitable contributions.	5.67	23.53%	35.29%	29.41%	2.94%	5.88%	2.94%	0.00%
7. This case improved my ability to apply primary tax sources to the relevant facts to draw conclusions.	4.86	23.53%	14.71%	41.18%	8.82%	2.94%	5.88%	2.94%
8. This case improved my ability to understand and summarize relevant information from a complex set of facts.	5.67	17.65%	26.47%	38.24%	11.76%	2.94%	2.94%	0.00%
9. This case improved my ability to identify tax issues from a complex set of facts.	5.67	17.65%	23.53%	38.24%	11.76%	5.88%	2.94%	0.00%
10. The amount of time required to complete the case was reasonable.	4.86	11.76%	17.65%	26.47%	29.41%	8.82%	2.94%	2.94%
11. I feel this case was a valuable educational experience.	5.67	26.47%	14.71%	38.24%	14.71%	2.94%	2.94%	0.00%
12. I would recommend using this case again.	6.80	20.59%	35.29%	32.35%	8.82%	0.00%	2.94%	0.00%

* n = 34

Suggested Solutions

A summary of the suggested solutions are presented by scenario in Table 3. The Teaching Notes provide a more detailed discussion of each issue and are available from the authors upon request. Table 3 lists each runner and includes issues identified associated with that runner. Each individual issue has a preferred solution and a list of primary sources. In some of the issue areas, there are numerous court cases dealing with that issue. The ones cited in our solutions are examples of the types of court cases that are, in our opinion, particularly relevant to the scenarios in this case. The students may locate and cite other court cases that are equally relevant. We have provided the CCH citations for the cases we have used. RIA citations are provided in the Teaching Notes to the case.

Table 3 Summary of Issues, Conclusions and Primary Sources			
Runner	Issue	Conclusion	Primary Sources
Heather	Should Heather classify her running as a hobby or a "for profit" activity?	Heather's running is considered a hobby.	IRC Sec. 183, IRC Sec. 183, Treas. Reg. 1.183-2, Donna L. Fletcher, Debtor, U.S. Bankruptcy Court, D. Vermont, 2000-1 USTC ¶50,462(Bkcty Ct VT), Donald P. Mills, et al., v. United States of America 88-2 USTC ¶9494(DC 6), Tony L. Zidar and Kathleen I. Zidar v. Commissioner 82 TCM 357 (2001)
	Does Heather have gross income as a result of her pacing activities?	Heather has gross income from her running activity.	IRC Sec. 61, IRC Sec. 119, IRC Sec. 132, IRC Sec. 162, Treas. Reg. 1.61-1, Treas. Reg. 1.132-1
	Can Heather deduct costs of transportation to the races, gym membership and running clothes	The costs of traveling to the races are eligible for deduction, subject to hobby loss limitation rules. Heather cannot deduct the cost of her gym membership or running clothes.	IRC Sec. 162, IRC Sec. 262, IRC Sec. 274, Regulation 1.162-2, Stenkowski, 82-2 USTC ¶9589 (CA-2), Hanna 85-1 USTC ¶9431 (CA-4), Lorenzo Battle, T.C. Summary Opinion 2007-27, Eliana Faris, 102 T.C.M. 402 (2011), Cecil Mella, 52 T.C.M. 1216 (1986), Revenue Ruling 75-432, Revenue Ruling 75-170
	Should Amy classify her running as a hobby or a "for profit" activity?	Amy's running activities should be classified as "for profit."	IRC Sec. 183, IRC Sec. 183, Treas. Reg. 1.183-2, Donna L. Fletcher, Debtor, U.S. Bankruptcy Court, D. Vermont, 2000-1 USTC ¶50,462(Bkcty Ct VT), Donald P. Mills, et al., v. United States of America 88-2 USTC ¶9494(DC 6), Tony L. Zidar and Kathleen I. Zidar v. Commissioner 82 TCM 357 (2001)
Amy	Does Amy have gross income as a result of her running?	Amy has gross income from her running activity.	IRC Sec. 61, IRC Sec. 119, IRC Sec. 132, IRC Sec. 162, Treas. Reg. 1.61-1, Treas. Reg. 1.132-1
	Can Amy deduct costs of transportation to the races, lodging, meals and running clothes that are not provided to her by sponsors?	The cost of transportation to the races, lodging and meals are eligible for deduction. Amy cannot deduct the cost of her running clothes.	IRC Sec. 162, IRC Sec. 262, IRC Sec. 274, Treas. Reg. 1.162-2, Eliana Faris, 102 T.C.M. 402 (2011), Cecil Mella, 52 T.C.M. 1216 (1986), Revenue Ruling 75-432, Revenue Ruling 75-170
Nicole	Should Nicole classify her running as a hobby or a "for profit" activity?	Nicole's running activities should be classified as "for profit."	IRC Sec. 183, IRC Sec. 183, Treas. Reg. 1.183-2, In Donna L. Fletcher, Debtor, U.S. Bankruptcy Court, D. Vermont, 2000-1 USTC ¶50,462(Bkcty Ct VT), Donald P. Mills, et al., v. United States of America 88-2 USTC ¶9494(DC 6), Tony L. Zidar and Kathleen I. Zidar v. Commissioner 82 TCM 357 (2001)
	Does Nicole have to apportion her income to different states?	Nicole is a resident of Virginia and nonresident of North Carolina. She will file in both states.	23VAC10-110-30.B.1, NC Sec. 105-134(9), NC Sec. 17: 06B.3902, NC Sec. 17: 06B.3904
	Does Nicole have gross income as a result of her running?	Nicole has gross income as a result of her running activity.	IRC Sec. 61, IRC Sec. 119, IRC Sec. 132, IRC Sec. 162, Treas. Reg. 1.61-1, Treas. Reg. 1.132-1
Trisha	Is Trisha treated as an employee or independent contractor?	Trisha should be considered an employee.	IRC Sec. 3121, IRC Sec. 3401, Regulation 31.3121(d)-1, Regulation 31.3401(c)-1, Revenue Ruling 87-41, United States v. Silk, 331 U.S. 704 (1947), Professional & Executive Leasing, Inc., an Idaho corporation v. Commissioner Internal Revenue Service, 88-2 USTC ¶9622 (CA-9, 1988), Rev. Rul. 57-21, Enrique Diaz v. United States of America, 90-1 USTC ¶50,209 (D.Ct. Cent. Dist. Calif.), Revenue Ruling 68-598
	Should Trisha classify her running as a hobby or "for profit" activity?	Trisha's running activities should be classified as a hobby.	IRC Sec. 183, IRC Sec. 183, Treas. Reg. 1.183-2, In Donna L. Fletcher, Debtor, U.S. Bankruptcy Court, D. Vermont, 2000-1 USTC ¶50,462(Bkcty Ct VT), Donald P. Mills, et al., v. United States of America 88-2 USTC ¶9494(DC 6), Tony L. Zidar and Kathleen I. Zidar v. Commissioner 82 TCM 357 (2001)
	Does Trisha have gross income from her running activity?	Trisha has gross income from her running activity.	IRC Sec. 74, Treas. Reg. 1.74-1
	Does Trisha have gross income from her fitness instructing?	Trisha has gross income from her fitness instructing.	IRC Sec. 61, IRC Sec. 119, IRC Sec. 132, IRC Sec. 162, Treas. Reg. 1.61-1, Treas. Reg. 1.132-1
	Can Trisha deduct the entry fees for the races she participates in?	Trisha can deduct the entry fees, subject to the hobby loss limitation rules.	IRC Sec. 162, John C. Hom, 106 TCM 15 (2013), Whitehurst, T.C. Summary Opinion 2003-7, John E. and Vicki Morrissey T.C. Summary Opinion 2005-86
	Can Trisha deduct the cost of her training for her fitness instructor certifications or the cost of her clothes that she wears for instructing fitness classes?	Trisha can deduct the fitness instructor certification fees and the officially branded workout clothes, subject to the hobby loss limitation rules.	IRC Sec. 262, Treas. Reg. 1.162-5, Treas. Reg. 1.162-5, Marshall J. and Edith M. Hammons, 12 TCM. 1318 (1955), Jerome Mortud and Lorraine Mortud, 44 T.C. 208 (1965), Eliana Faris, 102 T.C.M. 402 (2011), Cecil Mella, 52 T.C.M. 1216 (1986), Revenue Ruling 70-474

Runner	Issue	Conclusion	Primary Sources
	Is Jack treated as an employee or independent contractor?	Jack is considered an employee of the schools where he coaches.	IRC Sec. 3121, IRC Sec. 3401, Regulation 31.3121(d)-1(c)(2), Regulation 31.3401(c)-1, Revenue Ruling 87-41, United States v. Silk, 331 U.S. 704 (1947), Professional & Executive Leasing, Inc., an Idaho corporation v. Commissioner Internal Revenue Service, 88-2 USTC ¶9622 (CA-9, 1988), Rev. Rul. 57-21, Enrique Diaz v. United States of America, 90-1 USTC ¶50,209 (DCt. Cent. Dist. Calif.), Revenue Ruling 68-598, 1968-2 CB 464
Jack	Should Jack classify his running a hobby or "for profit" activity?	Jack's running activities should be classified as "for profit."	IRC Sec. 183, IRC Sec. 183, Treas. Reg. 1.183-2, In Donna L. Fletcher, Debtor, U.S. Bankruptcy Court, D. Vermont, 2000-1 USTC ¶50,462 (Bkcty Ct VT), Donald P. Mills, et al., v. United States of America 88-2 USTC ¶9494(DC 6), Tony L. Zidar and Kathleen I. Zidar v. Commissioner 82 TCM 357 (2001).
	Does Jack have gross income as a result of his running?	Jack will have gross income from his coaching activities.	IRC Sec. 61
	Should Jennifer classify her running as a hobby or a "for profit" activity?	Jennifer's running activities should be classified as "for profit."	IRC Sec. 183, IRC Sec. 183, Regulation 1.183-2, In Donna L. Fletcher, Debtor, U.S. Bankruptcy Court, D. Vermont, 2000-1 USTC ¶50,462(Bkcty Ct VT), Donald P. Mills, et al., v. United States of America 88-2 USTC ¶9494(DC 6), Tony L. Zidar and Kathleen I. Zidar v. Commissioner 82 TCM 357 (2001).
Jennifer	Can Jennifer deduct the cost of unreimbursed entry fees, travel, hotel and meals incurred when travelling to running locations?	Jennifer can deduct the unreimbursed entry fees and cost of travel.	IRC Sec. 162, Regulation 1.162, John C. Horn, 106 TCM 15 (2013), Whitehurst, T.C. Summary Opinion 2003-7, John E. and Vicki Morrissey T.C. Summary Opinion 2005-86, Revenue Ruling 75-170
	Can Jennifer deduct the cost of trainers, gym memberships, dietary supplements, shoes and clothing?	Jennifer will be able to deduct the cost of trainers. Jennifer will not be able to deduct the cost of her gym membership, dietary supplements, shoes or clothing.	IRC Sec. 162, IRC Sec. 262, S.A. Bodzin, 75-1 USTC ¶9190 (CA-4), Heineman, 82 TC 538 (1984), Eliana Paris, 102 T.C.M. 402 (2011), Cecil Mella, 52 T.C.M. 1216 (1986)
	Can Jennifer deduct the cost of her treadmill?	Jennifer can deduct the cost of her treadmill under appropriate cost recovery guidelines.	IRC Sec. 162
Margaret	Does Margaret's scholarship result in any gross income recognition?	Only the monthly stipend is included in Margaret's gross income.	IRC Sec. 117, IRC Sec. 170, IRC Sec. 117, Revenue Ruling 77-263
Grace	Are the expenses (including mileage) incurred by Grace deductible as a charitable deduction?	The expenses incurred by Grace are not deductible as the Radford Running Club is not a qualified charitable organization.	IRC Sec. 170, IRC Sec. 501, Treas. Reg. 1.170A-1, Malcolm L. Tinker, 25 TCM 852 (1966)
Paula	Are the expenses incurred by Paula deductible as a charitable contribution?	Paula can deduct her mileage to the charities and the cost of the food used in the nutritional demonstrations. Paula cannot deduct the cost of the food that she consumes during the nutritional programs or the cost of the shoes provided directly to program participants.	IRC Sec. 170, IRC Sec. 501, Revenue Ruling 70-519, James F. Patterson, 53 TCM 847 (1987), Brinley v. Commissioner 86-1 USTC ¶9247 (CA-5)
	Are registration fees paid to participate in races that benefit a qualified charitable organization deductible as a charitable contribution?	A deduction is only allowed to the extent that the taxpayer can prove that a portion of the price paid is a gift.	IRC Sec. 170, Treas. Reg. 1.170A-1, Revenue Ruling 67-246
Violet, Henry, Duncan	Are travel expenses incurred to participate in races that benefit a qualified charitable organization deductible as a charitable contribution?	Participation in the races do not constitute service to the charity; therefore, the travel expenses would not be deductible.	IRC Sec. 170, Treas. Reg. 1.170A-1, Seed vs Commissioner, 57 T.C. 265 (1971), Constanancio Babilonia, 40 TCM 485 (1980), Vahan Tafrahan, 61 TCM 1741 (1991), Richard Lewis Field, TC Summary Opinion 2005-184

Runner	Issue	Conclusion	Primary Sources
Kimberly	Are the travel expenses paid by Kimberly or her parents deductible as charitable contributions?	Participation in the races do not constitute service to the charity; therefore, the travel expenses would not be deductible.	IRC Sec. 170, Treas. Reg. 1.170A-1, Seed vs Commissioner, 57 T.C. 265 (1971), Constancio Babilonia, 40 TCM 485 (1980), Vahan Tafrahan, 61 TCM 1741 (1991), Richard Lewis Field, TC Summary Opinion 2005-184, Davis v. U.S., 88-2 USTC ¶9594 (CA-9), White v. U.S., 53 84-1 USTC ¶9170 (CA-10), Brinley v Commissioner 86-1 USTC ¶9247 (CA-5)
	Are the payments made to Kimberly to purchase the baked goods deductible as a charitable contributions? And who has the right to the deduction?	The purchase price of the baked goods would not be deductible; however, any amount paid over the price of the baked goods would be deductible by the taxpayer purchasing the goods provided the taxpayer could substantiate the contribution.	IRC Sec. 170, Treas. Reg. 1.170A-1, Revenue Ruling 67-246, James F Patterson, 53 TCM 847 (1987), Kluss v Commissioner, 46 T.C. 572 (1966), Peace v. Commissioner, 43 T.C. 1 (1964), IRS Pub No 526, 2011, Bradley v. Commissioner, TC Summary Opinion 2011-120, Jose A. Alonso v. Commissioner, TC Summary Opinion 2013-03
	Are the expenses (including mileage) incurred by Kimberly in producing and delivering the baked goods deductible as charitable contributions?	The costs incurred in raising donations for races in which Kimberly could participate in by simply choosing to pay the registration fees herself would be deductible; however the costs incurred in raising donations for races in which Kimberly would not be able to participate in outside of the charity team would not be deductible.	IRC Sec. 170, Treas. Reg. 1.170A-1, Private Letter Ruling 7922060, 2/28/1979, Revenue Ruling 70-519,
	Are the race fees that are paid for Kimberly by the charitable organization includable in Kimberly's gross income?	The race fees that are paid for Kimberly by the charitable organization are excludable from Kimberly's gross income.	IRC Sec. 132, IRC Sec. 162, IRC Sec. 167, IRC Sec. 501, Treas. Reg. 1.132-5
Sandy	Is the \$200 registration fee paid by the team deductible as a charitable contribution?	The \$200 registration fee paid by the members of the team would not be deductible unless they could demonstrate that a portion of the fee was a gift and not payment for the goods and service received as part of participation in the race.	IRC Sec. 170, Treas. Reg. 1.170A-1, Revenue Ruling 67-246
	Are the donations made by Sandy to make up the shortfall in her required fundraising deductible as charitable contributions?	Sandy would be able to deduct the donations to the charitable organization.	IRC Sec. 170, IRC Sec. 501, Treas. Reg. 1.170A-1, IRS Pub No 526, 2011
	Are the expenses (including mileage) incurred by Sandy and the other runners deductible as charitable contributions?	The travel costs would not be deductible as participation in the race would not be considered service to the charity.	IRC Sec. 170, Treas. Reg. 1.170A-1, Seed vs Commissioner, 57 T.C. 265 (1971), Constancio Babilonia, 40 TCM 485 (1980), Vahan Tafrahan, 61 TCM 1741 (1991), Richard Lewis Field, TC Summary Opinion 2005-184
	Are the expenses (including mileage) incurred by Sandy's husband deductible as charitable contributions? Is the value of the meals, sports drink, etc consumed by the runner's during the run includable in gross income?	Sandy's husband's travel expenses would not be deductible as unreimbursed charitable expenses. The value of the meals, sports drink, etc consumed by the runner's during the run are excludable from gross income.	Constancio Babilonia, 40 TCM 485 (1980) IRC Sec. 170, Treas. Reg. 1.170A-1
For brevity we have only included in this table the CCH citations for the primary sources used. In the complete teaching notes we provide both the CCH and the RIA citations. Several of the issues reference TC Summary Opinions and/or Private Letter Rulings. While TC Summary Opinions and Private Letter Rulings cannot be used as precedent, they can be used as a class discussion point and as an indication of how the Courts might rule in a similar situation.			