1 T.C. 932 (1943)

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A corporation cannot deduct accrued expenses payable to a related party if those expenses are not paid within two and one-half months after the close of the corporation’s taxable year and if the related party does not use the accrual method of accounting.

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Summary

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Mansuss Realty Co. accrued a salary expense to its president, who with his wife, owned all of its stock. The salary was not paid within two and a half months of the close of the tax year. The IRS disallowed the deduction under Section 24(c) of the Revenue Act of 1938. The Tax Court upheld the IRS determination, finding the payment was not made timely and the president did not use an accrual method of accounting. This case illustrates the strict application of related-party transaction rules regarding expense deductions.

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Facts

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Mansuss Realty Co., Inc. (

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