2 T.C. 430 (1943)

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Credits to employee stock subscription accounts, measured by dividends, are deductible as compensation when conditioned on continued employment and other factors showing compensatory intent.

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Summary

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United States Steel Corporation offered employees a stock subscription plan with deferred payments from wages. The company credited the employee's accounts with amounts equal to dividends paid on common stock and other special benefits, conditioned on continued employment until full payment. The Tax Court held that these dividend-based credits were additional compensation deductible from the corporation's gross income under Section 23(a) of the Revenue Act of 1928, because the credits were contingent on continued service and were part of a plan to incentivize and compensate employees.

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Facts

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United States Steel Corporation (petitioner) implemented an employee stock plan where employees could purchase limited shares, paying via monthly wage deductions. The plan credited employee accounts with amounts mirroring dividends on the company's common stock. Receipt of stock and credits was contingent on continuous employment. The company offered the plan to employees between 1926 and 1930. Employees' ability to purchase shares was capped based on their salary levels. If an employee left the company or canceled their subscription, they forfeited any "special benefits

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