***Woodward Radio, Inc. v. Commissioner, 1941 WL 132 (B.T.A.)***

When allocating income and deductions between related entities under Section 45 of the Internal Revenue Code, all expenses necessary for generating revenue, including those for sustaining programs, should be considered when determining a fair apportionment.

**Summary**

Woodward Radio, Inc. (petitioner) challenged the Commissioner's decision to exclude certain broadcasting costs incurred by its Canadian parent company from the total costs used to calculate the petitioner's deductible expenses. The parent company operated a radio station, CKLW, and incurred costs for both commercial and sustaining programs. The Commissioner excluded the costs for sustaining programs when allocating expenses between the parent and petitioner. The Board of Tax Appeals held that the Commissioner erred in excluding these costs, as they were necessary for the station's overall success and the petitioner's revenue generation.

**Facts**

Woodward Radio, Inc. was a U.S. corporation whose sole business was selling radio time over Canadian station CKLW to advertisers in the Detroit area. CKLW was owned and operated by a Canadian parent corporation. The parent company incurred broadcasting costs, including payments to Mutual Broadcasting System, Inc. for

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