4 T.C. 699 (1945)

Payments made by a corporation to an employee retirement trust are deductible as a business expense under Section 23(a) of the Internal Revenue Code if the payment is reasonable compensation for services rendered and irrevocably contributed to the trust, regardless of whether the trust qualifies under Section 23(p) as a tax-exempt pension trust.

Summary

Gisholt Machine Company established an Executive Employees' Retirement Trust in 1941 and sought to deduct the $173,500 paid to the trust as a business expense. The Commissioner disallowed the deduction, arguing it was not a reasonable business expense and the trust didn't qualify under Section 165. The Tax Court held the payment was deductible under Section 23(a) because it represented reasonable compensation for services actually rendered by key employees and was irrevocably contributed to the trust. The court reasoned that Section 23(p) supplements rather than limits the deductibility of compensation under Section 23(a).

Facts

Gisholt Machine Company, a manufacturer of machine tools, established an

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