7 T.C. 428 (1946)

A payment to a bonus or profit-sharing trust for employees is not deductible as a business expense or under specific Internal Revenue Code provisions if the employees' benefits are uncertain and subject to conditions like continued employment.

Summary

Chapman Chevrolet Co. established a bonus and profit-sharing trust in 1941, contributing $10,000. The trust primarily benefited officer-stockholders and a limited group of employees. The Tax Court addressed whether this contribution was deductible for income tax purposes. The court held that the contribution was not deductible under either Section 23(a) or 23(p) of the Internal Revenue Code because the employees' benefits were too uncertain, depending on their continued employment and the discretion of the company, and the plan lacked the continuity required by the statute.

Facts

Chapman Chevrolet Co., a retail Chevrolet dealer, created a

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