7 T.C. 1113 (1946)

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A contract completion discount is accruable as an expense and deductible only when the customer accepts delivery of the entire tonnage contracted for in the taxable year.

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Summary

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American Potash offered customers a discount upon completion of delivery of the entire potash tonnage contracted for. The Tax Court addressed whether the company could deduct the total amount of these discounts accrued on its books or only the portion related to contracts fully completed during the tax year. The court held that the discount was an incurred expense and allowable as a deduction only for contracts completed during the taxable year because the liability for the discount became fixed only upon the customer's acceptance of the full delivery.

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Facts

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American Potash and Chemical Corporation sold potash under contracts that included a seasonal discount and an additional

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