Oliver v. Commissioner, 10 T.C. 97 (1948)

When an employer establishes a qualified pension trust for the exclusive benefit of its employees, contributions made by the employer are not taxable to the employee until they are actually distributed or made available to them.

Summary

The Commissioner determined that the petitioners were taxable on the cost of annuities purchased for their benefit. The petitioners argued that the annuities were held by trustees under a pension plan that satisfied the requirements of Section 165 of the Internal Revenue Code, and they should only be taxed on the annuity income when received. The Tax Court held that the petitioners were bona fide beneficiaries under the trust and were not entitled to delivery of the annuity contracts or their cash surrender value unless the trust was terminated for all participants. Therefore, the Commissioner erred in taxing the petitioners on the value of the annuities before distribution.

Facts

Arthur F. Oliver, his sister, and Clarence A. Salford were employees of a company that established a non-contributory pension plan for the exclusive benefit of its employees, including the petitioners. The trust provided that the petitioners could continue in service in lieu of retirement, with annual payments from the trust continuing undiminished. The Commissioner argued that because the petitioners were of retirement age when the plan was created, they were immediately in a position to benefit, and the purchase of the annuities constituted a taxable distribution.

Procedural History

The Commissioner determined that the petitioners were taxable on the cost of the annuities. The petitioners appealed this determination to the Tax Court, arguing that the annuities were part of a qualified pension plan and should only be taxed upon distribution. The Tax Court reviewed the Commissioner's determination.

Issue(s)

Whether the Commissioner erred in determining that the petitioners were taxable on the value of annuities purchased for their benefit under a pension plan established for the exclusive benefit of the company's employees, including the petitioners, when the trust met the applicable requirements of Section 165 of the Internal Revenue Code.

Holding

No, because the petitioners were bona fide beneficiaries under a qualified pension trust, and the amounts were not

