13 T.C. 296 (1949)

Payments made as royalties under a contract are deductible as business expenses and are not considered ‘attributable to a decree against the taxpayer’ even if a court injunction influenced the business decision to maintain the contract; reasonable compensation paid to officers for services rendered is deductible and is not considered a disguised distribution of profits.

Summary

Glenshaw Glass Co. sought to deduct royalty payments and executive compensation. The Tax Court addressed two issues: whether royalty payments made under a contract during the base period should be restored to income due to a later-overturned injunction, and whether compensation paid to the company’s officers was reasonable and deductible. The court held that royalty payments made under contract were deductible, except for a specific payment directly tied to a court decree. It also held that the officer compensation was reasonable and properly deductible, reversing the Commissioner’s disallowance.

Facts

Glenshaw Glass, a glass container manufacturer, made royalty payments to Hartford-Empire Co. for the use of glass-feeding machines under license agreements. These payments were deducted from Glenshaw’s income. Glenshaw later developed its own

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