16 T.C. 118 (1951)

A taxpayer on the accrual basis cannot deduct a state tax liability in a year prior to admitting liability if they intentionally claimed an unallowable deduction that, if disallowed, would increase the tax owed; additionally, a contractor without title to goods used in government contracts cannot include those goods in their inventory.

Summary

Gunderson Bros. Engineering Corp. sought to deduct Oregon state excise taxes and interest on federal tax deficiencies in certain tax years. The Tax Court held that Gunderson Bros. could not deduct the additional state excise taxes or interest on federal deficiencies because they had intentionally claimed an unallowable deduction, thus contesting the full amount of tax owed. Additionally, the court found the company could not reduce its closing inventory by anticipating losses on uncompleted government contracts because the company did not hold title to the goods being produced under those contracts.

Facts

Gunderson Bros., an Oregon corporation, manufactured vessels. On its 1944 Oregon excise tax return, it deducted $253,774.13 for

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