Boston Elevated Railway Co. v. Commissioner, 16 T.C. 1084 (1951)

Income is not properly accruable when its receipt is contingent upon the outcome of a substantial legal controversy challenging the basis of the liability.

Summary

Boston Elevated Railway sought reimbursement from Massachusetts for cost of service deficits. The IRS argued these amounts should be accrued in 1941. However, Massachusetts contested the accounting procedures, refusing payment. The Tax Court held the income was not accruable in 1941 because of the substantial legal controversy. Although the suit was filed in 1942, the controversy existed in 1941, making the receipt of funds uncertain. The court also addressed the deductibility of a loss related to the abandonment of an elevated railway structure and the amortization of a payment related to an extension of public control.

Facts

Boston Elevated Railway Company (

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