

17 T.C. 695 (1951)

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When an employee receives stock from their employer at a discounted price as part of a compensation package, the difference between the stock's fair market value and the price paid is taxable income.

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Summary

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Otto Schultz and Maurice Jelenko received bonuses from their employer, Stix, Baer & Fuller Company, partly in the form of company stock, at a price determined by a formula in their employment contracts. The Commissioner of Internal Revenue determined that the difference between the fair market value of the stock when received and the contract price was taxable income. The Tax Court upheld the Commissioner's determination, finding that the stock was compensation for services rendered and that the