17 T.C. 786 (1951)

r
r

Rental income, including additional rent based on a percentage of sales, accrues for tax purposes in the year in which all events fixing the amount and the lessee's liability have occurred, not necessarily when the payment is due.

r
r

Summary

r

Heer-Andres Investment Company leased its building, receiving fixed monthly rent and additional rent based on the lessee's net sales. The additional rent was payable within ten days of the fiscal year's end. The company historically reported this additional rent in the year it was paid, not the year it accrued. The Commissioner argued that the additional rent should be reported in the year it accrued. The Tax Court agreed with the Commissioner, citing the principle that income accrues when all events fixing the right to receive it have occurred. However, the court also held that the Commissioner could not include additional rent from a prior, now-statute-barred year in the current year's income, despite the taxpayer's previous erroneous reporting method.

r
r

Facts

r

r

- Heer-Andres Investment Company (petitioner) leased its department store building for a 15-year period, later extended.

r

- The lease required a fixed monthly rental payment.

r

- The lease also stipulated

© 2025 SCOTUSreports.com. All rights reserved.