20 T.C. 299 (1953)

For an accrual-basis taxpayer, income is recognized when all events have occurred that fix the right to receive the income and the amount can be determined with reasonable accuracy, not when the services are performed if the amount is subject to negotiation.

Summary

Globe Corporation, an accrual-basis taxpayer, performed packaging and preservation work for the government in 1945 under contracts where the prices were subject to later negotiation. The prices were agreed upon and paid in 1946, and Globe accrued the income then. The Commissioner included these amounts in Globe's 1945 income. The Tax Court held that the income was properly accrued in 1946 because all events fixing the amounts had not occurred until negotiations were completed and written agreements were made. The mere performance of services in 1945 was insufficient for accrual when the price remained uncertain.

Facts

Globe Corporation manufactured aerial target assemblies for the U.S. Government in 1945 under four contracts. Two contracts specified that packaging and preservation service costs would be negotiated after delivery. The other two had change orders altering packaging methods, stipulating price adjustments to be negotiated post-delivery on a

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