***Chrysler Corp. v. Commissioner*, 33 B.T.A. 852 (1960)**

An accrual-basis taxpayer cannot deduct expenses for liabilities that are contingent and not yet fixed as to the fact and the amount during the tax year.

Summary

Chrysler Corporation sought to deduct expenses for life insurance for its retired employees. The company argued that it had an unconditional liability for the life insurance benefits under its collective bargaining agreement with the union. However, the court found that the liability was contingent upon the employees' retirement and the continued existence of the insurance policy. The court ruled that Chrysler could not deduct the full cost of the insurance in the year it was accrued, but rather, could only deduct the premiums paid during the taxable year because the liability for future payments was not fixed.

Facts

Chrysler Corporation entered into a collective bargaining agreement with a labor union that included provisions for life insurance for both active and retired employees. The agreement specified the amount of life insurance coverage based on years of service. Chrysler obtained a group life insurance policy from Aetna Life Insurance Company to cover these benefits. The policy was a one-year renewable term policy. Chrysler sought to deduct a lump sum expense in 1951, representing the total face amount of life insurance coverage for retired employees who had retired in 1950 and 1951. The IRS disallowed the deduction, arguing that the liability was not fixed and determinable.

Procedural History

The IRS determined a tax deficiency against Chrysler, disallowing the deduction for the accrued expense. Chrysler petitioned the Tax Court, challenging the IRS's determination. The Tax Court considered the case and ultimately sided with the IRS.

Issue(s)

1. Whether Chrysler could deduct the face amount of life insurance coverage for retired employees as an expense in 1951.

2. Whether Chrysler was entitled to deduct an actuarially determined amount representing future liabilities for

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