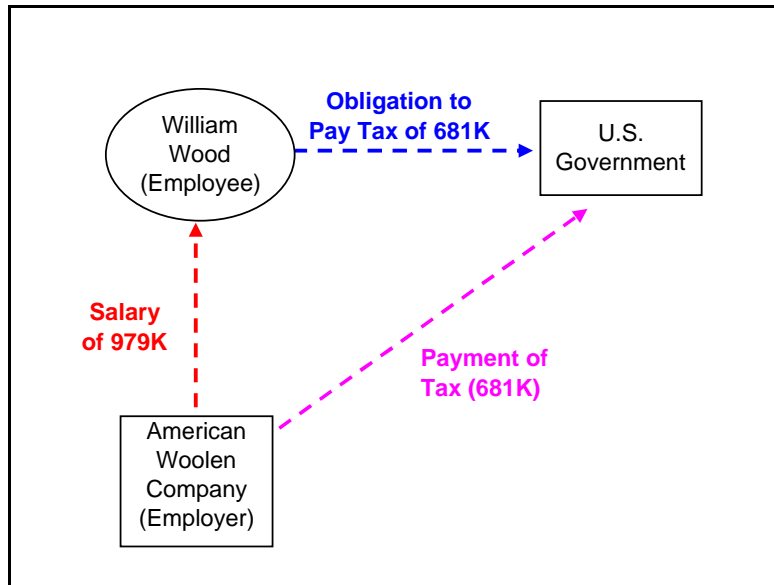


Old Colony Trust v. Commissioner
279 U.S. 716 (1929)

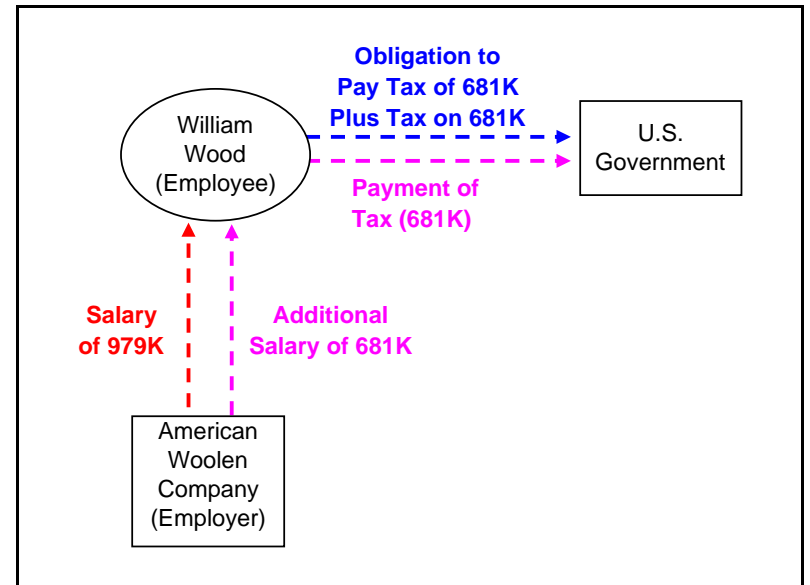
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**Employer Payment of
Employee Taxes**

Facts



Recharacterization



Old Colony was the executor of William Wood's estate. American Woolen adopted a corporate resolution that it would pay all taxes due upon the salaries of its officers. The issue in the case was whether "the payment by the employer of the income taxes assessable against the employee constitute[d] additional taxable income to such employee?"

The case dealt with salaries paid in 1918 and 1919 and taxes paid in 1919 and 1920. The deficiencies were in 1919 and 1920. The amounts shown above only relate to the salary paid in 1918 and the related taxes paid in 1919.

If a taxpayer's obligation is paid by a third party, the effect is the same as if the third party had paid the taxpayer who in turn paid his creditor. American Woolen's payment of William Wood's taxes constituted income to him.