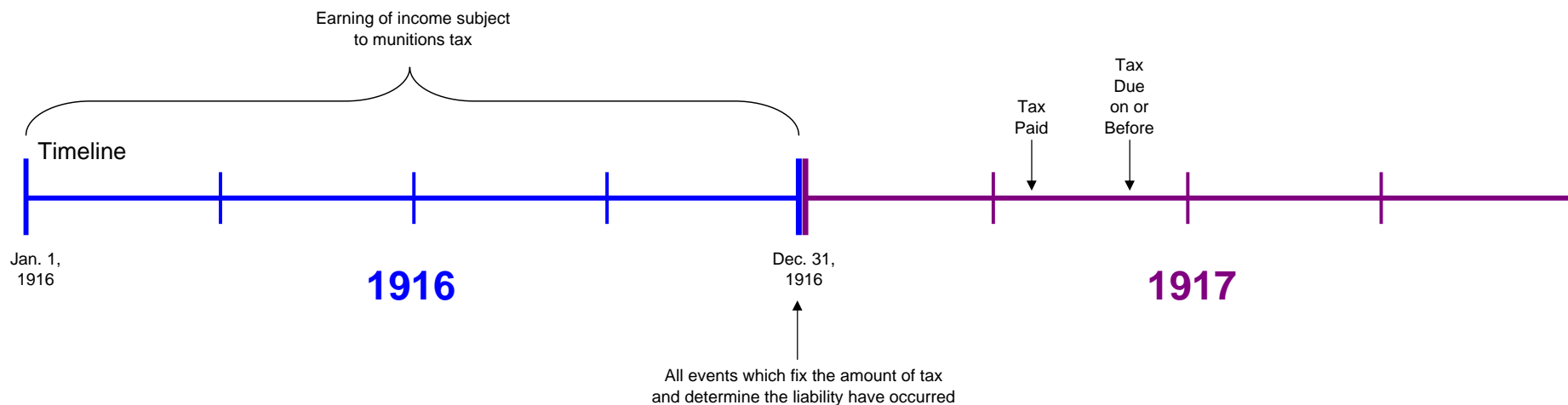


**"All Events" Test For
Accruing Expenses**

Yale & Towne Manufacturing Co.



Yale & Towne Manufacturing Company, a Connecticut corporation, was, in 1916, engaged in the manufacture of munitions. The tax imposed by the United States on the profits on munitions manufactured by it and sold during that year, became due and was paid in 1917. In making its return for the year 1917, Yale & Towne deducted from its gross income for income tax the amount of the munitions tax thus paid. Later the Internal Revenue Service held that the munitions tax paid in 1917 should have been deducted from gross income in 1916. There was, as a result, an adjustment of the net income taxes payable in those years, resulting in a net increase of the tax payable for the year 1917 of \$116,044, which was assessed and paid under protest, and was the amount for which suit was brought.

In the Anderson case, the Supreme Court first articulated the so-called "all events" test for accruing expenses as follows: "In a technical legal sense it may be argued that a tax does not accrue until it has been assessed and becomes due: but it is also true that in advance of the assessment of a tax, all the events may occur which fix the amount of the tax and determine the liability of the taxpayer to pay it. In this respect, for purposes of accounting and of ascertaining true income for a given accounting period, the munitions tax here in question did not stand on any different footing than other accrued expenses appearing on appellee's books, In the economic and bookkeeping sense with which the statute and Treasury decisions were concerned, the taxes had accrued."