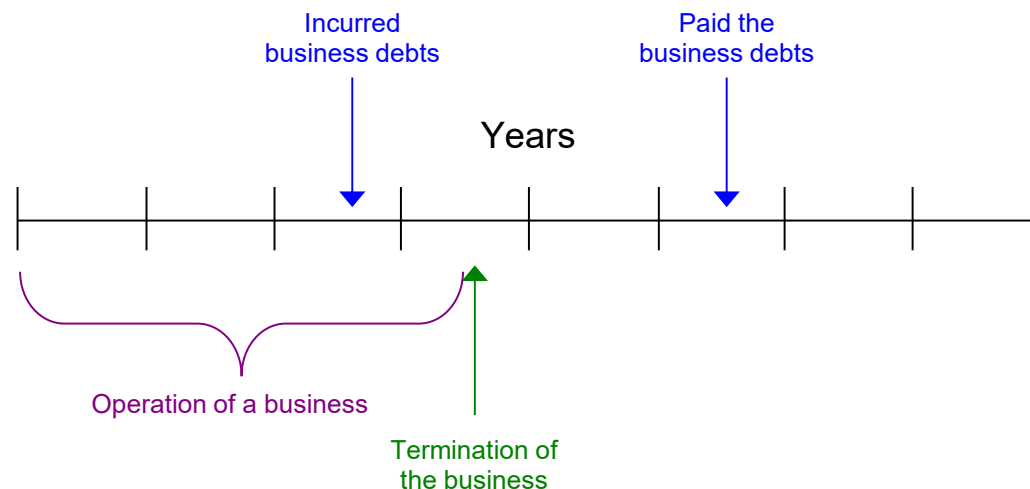


Revenue Ruling 67-12

Business Expenses Paid In a Year After the Termination of the Business Were Deductible

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The taxpayer operated a business as a sole proprietor. He had incurred debts for ordinary and necessary business expenses which he was unable to pay because of financial problems, and had entered into an agreement with his creditors under which he would pay his debts when he was able to obtain funds. He then discontinued his business.



In a year subsequent to the termination of his business, the taxpayer paid the debts he had incurred while carrying on the business.

In the instant case, expenses represented by the debts would have been deductible under section 162 had they been paid by the taxpayer while he was still carrying on the business. The fact that the business has been discontinued does not prevent the deduction of expenses otherwise allowable to an individual taxpayer using the cash receipts and disbursements method of accounting.

Accordingly, the ordinary and necessary expenses, incurred in a trade or business in prior years and paid in the current taxable year, by an individual taxpayer, using the cash receipts and disbursements method of accounting, are deductible under section 162, even though the business has been discontinued.