



Tax Reduction Letter

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Revenue Ruling 56-181

Section 162 - Trade or Business Expenses

A corporation which manufactures louvered windows, jalousies, awnings, etc., is opening new sales territories. As part of an advertising campaign, certain of its products will be installed in a number of private homes, under an agreement with the individual home owner, by replacing the products already forming a part of the home. In consideration thereof, the home owner will permit the corporation to take photographs and publish them, and also to use the premises for demonstration of the installed products. The title to such products will be vested in the home owner. Any damages to the home by the workmen, contractors, or prospective customers of the corporation will be borne by the latter. Held, expenditures incurred as a result of the installation and demonstration of certain products in private homes by a corporation, the manufacturer of such products, as a part of an advertising campaign to increase sales, are so directly related to the carrying-on of the corporation's business as to constitute a deductible business expense under the provisions of section 162(a) of the Internal Revenue Code of 1954. Any payments for damages [*2] done to the home resulting from the demonstration likewise would be deductible as an additional advertising expense. The home owner, in acquiring the installed products of the corporation as compensation for the use of the premises, derives taxable income measured by the excess of the fair market value of such products over the fair market value of the replaced products prior to removal.