2 T.C. 105 (1943)

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A claimant seeking a refund of processing taxes must demonstrate they bore the economic burden of the tax and did not shift it to others, with a higher margin during the tax period creating a presumption against the claimant.

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Summary

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Caldwell Sugars, Inc. sought a refund of sugar processing taxes paid under the Agricultural Adjustment Act. The Tax Court denied the refund, holding that Caldwell Sugars failed to prove it bore the economic burden of the tax. The court found that the average margin (the difference between the cost of processing and the selling price) was higher during the tax period than in the period before and after the tax. This created a presumption that Caldwell Sugars had passed the tax on to its customers. Caldwell Sugars' general arguments about the sugar industry were insufficient to overcome this presumption. The court emphasized the need for concrete evidence to prove the tax burden was not shifted.

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Facts

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Caldwell Sugars, Inc. processed sugar cane into refined sugar, raw sugar, and molasses. It grew about 35% of the cane it processed and purchased the remaining 65% from nearby growers. The company sold its sugar through a brokerage firm in the Mississippi and Ohio River Valleys. Its refined sugar was of a lower grade and sold at a discount compared to the market leader, American Sugar Refining Co. A processing tax of 53 1/2 cents per 100 pounds of refined sugar was imposed on June 8, 1934. Caldwell Sugars paid $28,663.55 in processing taxes. On most invoices, the processing tax was not listed as a separate item.

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Procedural History

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Caldwell Sugars filed a petition with the United States Processing Tax Board of Review seeking a refund of processing taxes. The case was transferred to the Tax Court after the Revenue Act of 1942. The Tax Court reviewed the case and denied the refund.

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Issue(s)

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Whether Caldwell Sugars presented sufficient evidence to demonstrate that it bore the economic burden of the processing tax and did not shift it to its customers, despite the average margin being higher during the tax period than in the before-and-after period.

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Holding

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No, because the higher margin during the tax period created a prima facie case that the tax burden was shifted to customers, and Caldwell Sugars failed to provide sufficient evidence to overcome this presumption by demonstrating that it bore the burden of the tax and did not shift it

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