2 T.C. 623 (1943)

The burden of proof lies with the taxpayer to disprove a tax deficiency assessed by the Commissioner of Internal Revenue, while the Commissioner bears the burden of proving fraud by clear and convincing evidence.

Summary

Richard Law was assessed a tax deficiency and penalties for failure to file a tax return and for fraud, based on the Commissioner's determination that Law received $6,500 in unreported income. This money originated from the Grays Harbor Exportation Co., which paid it to ensure labor peace and uninterrupted loading of its ships. The central issue was whether Law received the money. The Tax Court found that Law did receive the funds and upheld the deficiency and penalties, largely due to the testimony of witnesses and Law's prior criminal record, which affected his credibility.

Facts

The Grays Harbor Exportation Co., fearing strikes that could lead to the cancellation of valuable charter contracts, arranged to pay union officials to prevent labor disruptions. They engaged R.J. Ultican to facilitate these payments. The company issued 13 checks totaling $6,500 to

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