Offer v. Commissioner, 2 T.C. 26 (1943)

The "completion of such services" requirement under Section 107 of the 1939 Internal Revenue Code, for long-term compensation tax relief, is met when the specific services for which compensation is paid are concluded, even if the broader original undertaking is not entirely finished.

Summary

This case addresses the interpretation of Section 107 of the 1939 Internal Revenue Code, which provided tax relief for compensation received for personal services rendered over five years or more, paid only on completion of such services. The Tax Court held that the petitioners, members of a bank's liquidating committee, were entitled to the tax relief because the services for which they were compensated (converting assets to cash and discharging debts) were completed when payment was received, even though the liquidation process was not entirely finalized.

Facts

Petitioners were members of a bank's "Liquidating Committee." Their task was to convert the bank's assets into liquid form and discharge its debts. They converted assets into cash or immediately collectible cash obligations and discharged all debts. An arrangement was made where stockholders who preferred immediate withdrawal could have their stock purchased for cash by the remaining shareholders; a third of the stockholders did so. Some assets, in the form of insurance policies, had not yet been converted into cash, and nominally the Liquidating Committee continued to exist. The petitioners received compensation for their services. They performed no further liquidating activities in the three years between payment and the hearing.

Procedural History

The Commissioner of Internal Revenue disputed the petitioners' claim for tax relief under Section 107 of the 1939 Internal Revenue Code. The Tax Court reviewed the Commissioner's determination.

Issue(s)

Whether the compensation received by the petitioners was "paid only on completion of such services" as required by Section 107 of the 1939 Internal Revenue Code, even though the bank's liquidation was not entirely complete.

Holding

Yes, because the services for which the petitioners received compensation—converting assets into liquid form and discharging debts—were completed at the time payment was made, satisfying the requirements of Section 107, even if some minor tasks remained in the overall liquidation process.

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Court’s Reasoning

The court rejected both the petitioner’s argument that the five-year period was all that mattered and the Commissioner’s argument that the entire

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