4 T.C. 470 (1944)

When property is sold at a loss to tenants in common, one of whom is a family member of the seller, only the portion of the loss attributable to the sale to the family member is disallowed as a deduction under Section 24(b) of the Internal Revenue Code.

Summary

Walter Simister, Jr. sold a farm at a loss to Clay Jones, Jr., and Elsie Jones, his wife (Simister's daughter). The Commissioner argued that the loss was not deductible under Section 24(b) of the Internal Revenue Code, which disallows losses from sales between family members. The Tax Court held that because the Joneses held the property as tenants in common, only half the loss, attributable to the sale to Simister's daughter, was disallowed. The remaining loss from the sale to Clay Jones, Jr., was deductible because he was not a member of Simister's family under the statute.

Facts

- Walter Simister, Jr. sold a farm for $6,000 in December of the tax year.
- The farm, with improvements, had cost $8,675.
- The purchasers were Clay Jones, Jr., and Elsie Jones, his wife (who is also Simister's daughter).

Procedural History

- The Commissioner disallowed the loss deduction claimed by the Simisters.
- The Simisters petitioned the Tax Court for review.

Issue(s)

1. Whether the sale of the farm to Clay Jones, Jr., and Elsie Jones, his wife, constituted a sale to a family member under Section 24(b) of the Internal Revenue Code, thus disallowing the loss deduction.
2. Whether, if the Joneses held the property as tenants in common, only the portion of the loss attributable to the sale to the family member is disallowed.

Holding

1. No, because under South Carolina law, the Joneses held the property as tenants in common, not as joint tenants.
2. Yes, because Section 24(b) only disallows losses from sales

© 2025 SCOTUSreports.com. All rights reserved.