5 T.C. 467 (1945)

r
r

Legal fees incurred in recovering an overpayment of income taxes, resulting from the disallowance of a loss on worthless stock previously held for the production of income, are deductible as expenses for the management, conservation, or maintenance of property held for the production of income under Section 23(a)(2) of the Internal Revenue Code.

r
r

Summary

r

Howard and Edward Cammack deducted legal fees incurred in 1940 related to lawsuits to recover overpaid income taxes from 1932. The overpayment stemmed from the disallowance of deductions claimed on worthless Kreuger & Toll stock, which the Cammacks had purchased for income production. The Commissioner disallowed the deduction for legal fees, arguing they were not for income production or property management. The Tax Court, relying on *Trust u/w of Mary Lily (Flagler) Bingham v. Commissioner*, held that the legal fees were deductible under Section 23(a)(2) because the litigation was a consequence of managing property (the stock) held for income production.

r
r

Facts

r

r

1. Howard and Edward Cammack owned shares of Kreuger & Toll Co.

© 2025 SCOTUSreports.com. All rights reserved.