***6 T.C. 542 (1946)***

An unincorporated entity is taxable as a corporation if it possesses characteristics more closely resembling a corporation than a partnership or joint venture, including centralized management, continuity of enterprise, and limited liability.

**Summary**

The Wabash Oil and Gas Association was determined by the Tax Court to be an association taxable as a corporation due to its corporate-like characteristics. The association, formed by individuals to develop oil and gas leases, possessed centralized management, continuity of life, and provisions for limiting liability. The court held that a delinquent capital stock tax return filed by the association was effective in declaring a capital stock value to be used in computing its tax liabilities. This case clarifies the criteria for classifying unincorporated entities as corporations for federal tax purposes.

**Facts**

A group of approximately 55 individuals subscribed to a fund to obtain and develop an oil and gas lease in Grayville, Illinois. Herbert Patton held the lease as an agent for the subscribers. The subscribers executed “Articles of Agreement” that appointed Patton, Carey, and Hall as agents and managers with powers similar to corporate directors. The agreement provided for centralized management, the transferability of interests, and a means to ensure the continuity of the enterprise, even upon the death or bankruptcy of a member. Initially, the agreement included a clause limiting personal liability; however, this clause was later removed by amendment.

**Procedural History**

The Commissioner of Internal Revenue determined deficiencies in the association’s income tax, declared value excess profits tax, and excess profits tax, classifying it as a corporation for tax purposes. The association filed a petition with the Tax Court contesting the deficiencies and the classification. The association also filed a delinquent capital stock tax return after the initial hearing but before the court’s decision.

**Issue(s)**

1. Whether the Wabash Oil and Gas Association should be classified as an association taxable as a corporation for federal tax purposes.
2. Whether a delinquent capital stock tax return filed by the association is effective in declaring a capital stock value for computing its tax liabilities.

**Holding**

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1. Yes, because the association possessed more corporate characteristics than partnership characteristics, including centralized management, continuity of enterprise, and provisions addressing limited liability.
2. Yes, because the return was filed before the court took action on the motion for further hearing, making it timely for the purpose of declaring a capital stock value.

**Court’s Reasoning**

The court applied the criteria established in *Morrissey v. Commissioner* to determine whether the association was taxable as a corporation. The court emphasized the centralized management structure, the ease of transferring interests, and the provisions for the continuation of the enterprise despite changes in ownership or management. The court noted that the agents and managers possessed powers similar to a corporate board of directors and officers. Regarding the delinquent capital stock tax return, the court relied on prior precedent that allowed taxpayers in litigation over their corporate status to file such returns. The court rejected the Commissioner’s attempt to distinguish the prior cases based on the timing of the return filing, finding that the return was effectively filed before the hearing was concluded.

**Practical Implications**

This case provides guidance on how unincorporated entities are classified for federal tax purposes. It highlights the importance of analyzing the entity’s organizational structure and operating characteristics to determine whether it more closely resembles a corporation or a partnership. Legal practitioners should consider this ruling when advising clients on structuring new business ventures to achieve desired tax outcomes. The case also clarifies the ability of entities contesting their corporate status to file delinquent capital stock tax returns to establish a declared value. Later cases have cited Wabash Oil and Gas in disputes regarding entity classification and the validity of late-filed tax returns.

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