8 T.C. 350 (1947)

A partnership agreement is recognized for federal tax purposes when the partners contribute vital services and capital to the business, even if one partner is a minor, provided the agreement is bona fide and not merely a reallocation of family income.

Summary

The petitioner, W.J. Runyon, claimed bad debt deductions and sought recognition of a partnership with his son for tax purposes. The Tax Court addressed whether Runyon's claimed bad debt deductions were valid and whether the partnership agreement between Runyon and his minor son, and subsequently with J.A. Gregory & Sons, should be recognized for federal tax purposes, specifically regarding income from Mid-South Paving Co. The court disallowed some bad debt deductions but recognized the partnership, finding the son provided vital services and the agreement was a bona fide business arrangement.

Facts

W.J. Runyon claimed deductions for nine debts he asserted became worthless in 1941. He had made unsecured loans to various individuals, some of whom were

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