8 T.C. 1204 (1947)

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The fair market value of stock for gift tax purposes should consider the stock's trading volume and market conditions, especially when dealing with large blocks of stock in a thin market, potentially deviating from the mean between the highest and lowest quoted selling prices on the date of the gift.

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Summary

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Thomas Standish gifted 4,000 shares of Armstrong Cork Co. stock to each of four trusts on October 26, 1943. The Commissioner of Internal Revenue determined a gift tax deficiency, valuing the stock at $37.25 per share based on the mean between the highest and lowest selling prices on the New York Stock Exchange that day. Standish argued for a lower valuation of $36.295 per share, considering the large block of shares and the market's ability to absorb it. The Tax Court held that the fair market value was $36.295 per share, considering the thin market, the size of the blocks of stock, and the fact that a "Special Offering" occurred on the same date.

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Facts

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On October 26, 1943, Thomas Standish gifted 4,000 shares of Armstrong Cork Co. common stock to each of four separate trusts. Prior to the gifts, Standish owned 39,000 shares of the 1,411,000 outstanding shares. Armstrong Cork stock was listed on the New York Stock Exchange but was not actively traded; the market was considered "thin." Standish sold a block of 4,000 shares of the same stock on the same day through a "Special Offering" at $36.295 per share after receiving competitive bids from brokers.

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Procedural History

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The Commissioner determined a deficiency in Standish’s gift tax for 1943. Standish petitioned the Tax Court, contesting the Commissioner’s valuation of the Armstrong Cork stock. The Tax Court reversed the Commissioner’s determination, finding a lower fair market value.

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Issue(s)

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Whether the fair market value of the Armstrong Cork stock for gift tax purposes should be determined solely by the mean between the highest and lowest selling prices on the date of the gift, or whether other factors, such as the size of the block of stock, the thinness of the market, and a

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