11 T.C. 678 (1948)

The term ‘property,’ as used in Section 112(b)(6) of the Internal Revenue Code regarding non-recognition of gain or loss upon the liquidation of a subsidiary by a parent corporation, includes money.

Summary

International Investment Corporation (IIC) sought to recognize a loss on the liquidation of its wholly-owned subsidiary, Portage Water Co. Portage sold its assets for cash and then distributed the cash to IIC in cancellation of Portage’s stock. IIC argued that because it received only cash, the non-recognition provisions of Section 112(b)(6) did not apply. The Tax Court held that ‘property’ in Section 112(b)(6) includes money, thus the loss was not recognizable. The court explicitly overruled its prior decision in *Stimson Mill Co.*

Facts

- IIC owned all the stock of Portage Water Co.
- The adjusted basis of the Portage stock to IIC was $278,680.02.
- On October 1, 1942, Portage sold all of its assets (except cash, insurance deposits, and prepaid insurance).
- On October 14, 1942, IIC agreed to the voluntary dissolution of Portage.
- Portage’s board of directors resolved to dissolve the company and distribute its assets to IIC.
- Portage distributed cash to IIC in October and December 1942, and January 1943, totaling $118,364.58.
- The distributions were made in cancellation of the Portage stock held by IIC.

Procedural History

- The Commissioner of Internal Revenue determined a deficiency in IIC’s income tax for 1942, disallowing the claimed loss from the liquidation of Portage.
- IIC petitioned the Tax Court for review, alleging the Commissioner erred in disallowing the loss.

Issue(s)

1. Whether the word

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