***13 T.C. 178 (1949)***

A cash basis taxpayer does not constructively receive income from a sale in the year of the agreement if a bona fide contract defers payment to a later year, even if the taxpayer could have demanded earlier payment.

**Summary**

J.D. Amend, a wheat farmer, contracted to sell his wheat crop in one year for payment in January of the following year. The Commissioner of Internal Revenue argued that Amend constructively received the income in the year of the sale because he could have arranged for immediate payment. The Tax Court held that because the sales contracts were bona fide, arm's-length transactions that specifically deferred payment, the doctrine of constructive receipt did not apply, and Amend properly reported the income in the year he actually received payment. This case clarifies that a taxpayer can legitimately defer income recognition through a valid contract specifying a future payment date.

**Facts**

From 1942 to 1946, J.D. Amend, a cash basis wheat farmer, consistently contracted to sell his wheat in one year for delivery and payment in January of the subsequent year. In 1944, he sold his wheat to Burrus Panhandle Elevator Co. with an agreement for payment in January 1945. In 1946, he sold to Coffee-Davis Grain Co., with payment due in January 1947. The Commissioner argued that Amend could have received payment in the year of the sale and therefore should be taxed on the income in that year under the doctrine of constructive receipt.

**Procedural History**

The Commissioner assessed deficiencies against J.D. and Eva Amend for the tax years 1944 and 1946, arguing that income from wheat sales was constructively received in those years, rather than in the subsequent years when payment was actually received. The Amends petitioned the Tax Court for a redetermination of the deficiencies.

**Issue(s)**

Whether a cash basis taxpayer constructively receives income in the year of a sale when a bona fide contract defers payment to a subsequent year, despite the possibility of arranging for immediate payment.

**Holding**

No, because the contracts were bona fide, arm's-length transactions that specifically deferred payment to a later year, and the taxpayer had no legal right to demand payment until that later year.

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**Court’s Reasoning**

The Tax Court emphasized that the key question was whether the contracts were bona fide and whether the taxpayer had an unqualified right to receive payment in the year of the sale. The court found that the contracts were indeed bona fide, arm’s-length transactions. The court distinguished the case from situations where a taxpayer has unrestricted access to funds but chooses not to take possession. Here, Amend did not have the legal right to demand payment until January of the following year, according to the terms of the contracts. The court cited *Bedell v. Commissioner, 30 F.2d 622*, stating that

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