***John P. Scripps Newspapers v. Commissioner, 44 T.C. 453 (1965)***

A corporation is not a personal service corporation if a substantial portion of the services generating its income are performed by non-shareholder employees, even if the shareholder-officers are highly capable and essential to the organization's success.

**Summary**

John P. Scripps Newspapers sought personal service corporation status to reduce its tax liability. The IRS denied this status, arguing that the income was not primarily attributable to the activities of the shareholder-officers, but rather to its non-shareholder employees, particularly district supervisors and field men. The Tax Court agreed with the IRS, finding that the field men performed the greater part of the work that produced the company's income, thus disqualifying the corporation from being classified as a personal service corporation.

**Facts**

John P. Scripps Newspapers managed farms for absentee owners. The company's three officer-stockholders were responsible for the organization. District managers and field men, who were not shareholders, performed the actual management of the farms. The field men were carefully selected for their education, character, and ability to handle individual responsibilities, and were responsible for the day-to-day management of the farms.

**Procedural History**

The Commissioner of Internal Revenue determined that the petitioner was not a personal service corporation. The taxpayer petitioned the Tax Court for a redetermination. The Tax Court upheld the Commissioner's determination.

**Issue(s)**

Whether the income of John P. Scripps Newspapers could be ascribed primarily to the activities of its shareholder-officers, thus qualifying it as a personal service corporation under Section 725 of the Internal Revenue Code.

**Holding**

No, because the field men, who were not shareholders, performed the greater part of the work which produced the petitioner's income. The services performed by the non-shareholder employees were vital and valuable to the petitioner.

**Court's Reasoning**

The court emphasized that while the shareholder-officers were undoubtedly capable

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and essential to the company's success, the statute requires that the income be primarily ascribable to their activities. The court cited *Patterson-Andress Co., 6 B. T. A. 392*, stating that the statute

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