13 T.C. 580 (1949)

Advances made by a parent company to its wholly-owned subsidiary, representing the subsidiary's only capital, constitute an investment in the subsidiary's stock, and any losses incurred when the stock becomes worthless are deductible as capital losses under Section 23(g)(4) of the Internal Revenue Code.

Summary

Gussow, Kahn & Co. advanced funds to its wholly-owned subsidiary, Tomorrow's Masterpieces, Inc., which represented the entirety of the subsidiary's capital. When Tomorrow's Masterpieces failed, Gussow, Kahn & Co. sought to deduct these advances as a loss. The Tax Court held that these advances were essentially investments in the subsidiary's unissued stock and, therefore, deductible as a capital loss under Section 23(g)(4) of the Internal Revenue Code, except for those advances made after the decision to liquidate the subsidiary.

Facts

Gussow, Kahn & Co. (

