8 T.C. 183 (1947)

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A sale of corporate assets is attributed to the corporation, not the shareholders, if the corporation negotiated and substantially completed the sale before liquidation, and the shareholders acted merely as conduits to transfer title.

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Summary

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The Tax Court determined that a sale of timber and a lease of land were attributable to the corporation (Lodwick), not its shareholders, even though the shareholders formally conveyed the property after the corporation's liquidation. The court emphasized that Lodwick negotiated the sale before liquidation and the shareholders merely fulfilled Lodwick's pre-existing contractual obligation. The court also addressed issues regarding declared value excess profits tax and transferee liability.

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Facts

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Lodwick, a corporation, owned a tract of land in Bossier Parish. In October 1940, Lodwick entered into a binding executory contract to sell timber and lease land to Kraft. The contract anticipated the possibility of Lodwick's liquidation before the sale's completion, stipulating that any transferees, including shareholders, would be bound by the contract. Lodwick liquidated on December 27, 1940, and transferred the Bossier Parish tract to its shareholders. On January 21, 1941, the former shareholders executed the instrument conveying the timber and granting the leasehold to Kraft, receiving payment. The Commissioner determined Lodwick realized income from the sale. J.T. Wurtsbaugh was a former shareholder, and the Commissioner sought to hold him liable as a transferee for Lodwick's tax deficiencies.r

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Procedural History

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The Commissioner determined that Lodwick had a tax deficiency for the 1941 tax year and sought to hold Wurtsbaugh liable as a transferee of Lodwick's assets. Wurtsbaugh petitioned the Tax Court for a redetermination of the deficiency. The Tax Court previously addressed Wurtsbaugh's transferee liability for Lodwick's 1940 taxes. This case concerns Wurtsbaugh's liability as a transferee for Lodwick's 1941 taxes.r

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Issue(s)

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1. Whether the sale of timber and the lease of land to Kraft should be attributed to Lodwick or its shareholders for tax purposes.r
2. Whether Lodwick was

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