14 T.C. 589 (1950)

r
r

Under the Renegotiation Act, partnerships with the same general partners are considered under common control, allowing for the aggregation of renegotiable receipts to meet jurisdictional minimums.

r
r

Summary

r

Moening and Heckmann, equal partners in two separate machine tool partnerships (Drill Head and Machine Tool), challenged the War Contracts Price Adjustment Board's determination of excessive profits. The Tax Court addressed whether the partnerships were under common control, allowing aggregation of receipts exceeding $500,000, and whether Machine Tool's product was exempt as a standard commercial article. The court held that the partnerships were under common control and the product was not exempt. The court adjusted the Board's salary allowance for the partners and determined excessive profits for both partnerships.

r
r

Facts

r

Moening and Heckmann operated two partnerships: United States Drill Head Company (Drill Head) and United States Machine Tool Company (Machine Tool). Both produced machine tools but of different types, with separate shops and personnel. In 1943, the renegotiable receipts of each partnership were less than $500,000, but their combined receipts exceeded that amount. The partners had extensive experience in the machine tool industry, working long hours to meet wartime production demands. The partnerships used their own capital and equipment without government assistance.

r
r

Procedural History

r

© 2025 SCOTUSreports.com. All rights reserved.

The War Contracts Price Adjustment Board determined that Drill Head and Machine Tool received excessive profits. Moening and Heckmann petitioned the Tax Court, challenging the Board's determination. The cases were consolidated for hearing and trial.

r
r

Issue(s)

r

1. Whether Drill Head and Machine Tool were "under the control of or controlling or under common control with" each other within the meaning of the Renegotiation Act.

r

2. Whether the product of Machine Tool was exempt from renegotiation as a "standard commercial article" under the Renegotiation Act.

r

3. Whether the respondent's determinations of excessive profits were correct.

r
r

Holding

r

1. Yes, because the two partnerships were composed of the same equal and general partners, establishing common control.

r

2. No, because the petitioners did not prove that competitive conditions would reasonably protect the Government against excessive prices.

r

3. No, because the salary allowance for the partners was too low and the excessive profit determinations were too high. The court determined a lower amount of excessive profits.

r
r

© 2025 SCOTUSreports.com. All rights reserved.

Court’s Reasoning

r

The court reasoned that since Moening and Heckmann were equal general partners in both partnerships, each acted as a reciprocal agent and principal, justifying the conclusion of common control. The court emphasized that the purpose of the

© 2025 SCOTUSreports.com. All rights reserved.