16 T.C. 662 (1951)

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A loss from the sale of property to a step-grandson is deductible on a joint income tax return, as a step-grandson is not considered a member of the seller’s family under Section 24(b) of the Internal Revenue Code.

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Summary

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J. Henry DeBoer sold a property to his step-grandson (the grandson of his wife through a previous marriage) and claimed a loss deduction on their joint income tax return. The Commissioner disallowed the deduction, arguing it was a “family loss” under Section 24(b) of the Internal Revenue Code. The Tax Court held that the loss was deductible. Because the step-grandson was not Henry’s direct relative (brother, sister, spouse, ancestor, or lineal descendant) as defined in the code, the sale did not fall under the prohibition of deducting losses from sales to family members. The court emphasized that the joint return allows for the aggregation of income and deductions, and it would not impose a limitation not explicitly stated in the statute.

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Facts

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- J. Henry DeBoer (Henry) owned a two-family apartment building in Syracuse, New York.

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- On March 15, 1946, Henry sold the property to Harry Beagle, who was the grandson of Henry’s wife, Martha, from a prior marriage (Henry’s step-grandson).

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- Henry’s adjusted basis in the property was $13,144.89, and he sold it for $9,296.80.

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- Henry and Martha filed a joint federal income tax return for 1946, claiming a $3,848.09 loss from the sale.

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- The Commissioner disallowed the deduction.

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Procedural History

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The Commissioner of Internal Revenue disallowed the loss deduction claimed by the DeBoers on their joint income tax return for 1946, leading to a deficiency assessment. The DeBoers then petitioned the Tax Court for a redetermination of the deficiency. The Tax Court reviewed the case based on stipulated facts.

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Issue(s)

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Whether the loss from the sale of property by Henry to his step-grandson is deductible on a joint income tax return, or whether it is considered a “family loss” under Section 24(b)(1)(A) of the Internal Revenue Code, thus precluding its deduction.

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Holding

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No, because the step-grandson is not considered a member of Henry’s

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