***16 T.C. 930 (1951)***

r
r

A partnership for federal income tax purposes exists when individuals genuinely intend to conduct a business together as partners, considering all relevant facts such as the agreement, conduct, contributions, and control.

r
r

**Summary**

r

Edward James purported to sell one-third interests in his venetian blind selling organization to Gerdes and Wayman. The agreement stipulated equal earnings shares, but Gerdes's and Wayman's earnings were to be applied against their debts to James. James retained complete control. After Gerdes and Wayman "paid" approximately $40,000 each against their debts, the agreement was terminated, and the business reverted to James upon cancellation of the remaining debts. The Tax Court held that no valid partnership existed, and the entire income was taxable to James. The court emphasized James's complete control, the lack of genuine intent to form a partnership, and the ultimate financial arrangement which disproportionately benefited James.

r
r

**Facts**

r

James operated a venetian blind business. Gerdes and Wayman were employees. Gerdes handled accounting and administration, while Wayman managed sales, including a large account with Sears Roebuck. Wayman and Gerdes desired a greater share in the business. In August 1945, James, Gerdes, and Wayman executed an agreement where James purported to sell a one-third interest to each of the other two for $100,000 each, with minimal cash down payments and promissory notes for the balance. The notes were to be paid from their shares of the business's profits. James retained sole management and control. The

© 2025 SCOTUSreports.com. All rights reserved. 