16 T.C. 1230 (1951)

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A taxpayer cannot deduct expenses for a new asset (a well) or temporary costs (purchased water) as a casualty loss under Section 23(e)(3) of the Internal Revenue Code when the original property (the original well) is only temporarily impaired and its value is not permanently diminished.

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Summary

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Richard Dow sought to deduct expenses related to a contaminated well on his property as a casualty loss. The well was contaminated for approximately four months, after which it returned to normal. During the contamination period, Dow purchased water and drilled a new well, though the new well was never connected for use. The Tax Court denied the deduction, holding that the temporary contamination did not constitute a permanent loss of property value and that the new well represented a capital improvement, not a casualty loss.

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Facts

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In 1945, Richard Dow purchased property in Dover, Massachusetts, with an existing artesian well and two cesspools. In May 1946, Dow hired a contractor to clean the cesspools, who added an undisclosed

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