17 T.C. 1190 (1952)

Certificates issued by a cooperative association representing a member's interest in a commercial reserve fund constitute taxable income to the member to the extent of the certificates' fair market value when received.

Summary

Wallace and Charles Caswell, partners in a peach-growing operation, marketed their peaches through the Turlock Cooperative Growers Association. The cooperative pooled peaches of like kind, grade, and classification from various members. After the peaches were sold, the net proceeds, less an association charge, were distributed to the members. The association charge was used for expenses and to create a capital reserve. Members received cash distributions and interest-bearing certificates representing their share of the capital reserve. The Tax Court held that the Caswells realized income upon receipt of these certificates, to the extent of their fair market value, which the court determined to be equal to their face value.

Facts

Wallace and Charles Caswell were partners in Caswell Brothers, a peach-growing partnership that marketed its peaches through the Turlock Cooperative Growers Association (

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