

## ***Arlington Metal Industries, Inc. v. Commissioner, 22 T.C. 1250 (1954)***

For tax purposes, a debenture is considered a genuine indebtedness if it represents an unconditional and legally enforceable obligation for the payment of money, supported by valid consideration.

### **Summary**

Arlington Metal Industries sought to deduct interest payments on debentures and include these debentures as borrowed capital for excess profits tax calculations. The IRS argued the debentures weren't a true indebtedness because they were issued against an inflated valuation of goodwill. The Tax Court held that the debentures did represent a valid indebtedness because they were issued for value received and were unconditional obligations, allowing the interest deductions and inclusion as borrowed capital. Additionally, the court addressed whether a deferred excess profits tax constituted a deficiency, finding that upon rejection of a related claim, it did.

### **Facts**

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