18 T.C. 1153 (1952)

When calculating a net operating loss, taxpayers may first use nonbusiness losses to offset nonbusiness income; a net operating loss from a business need not be reduced by nonbusiness income if nonbusiness losses exceed nonbusiness income.

Summary

Joe B. Luton petitioned the Tax Court for a redetermination of a deficiency assessed by the Commissioner of Internal Revenue, which disallowed a net operating loss deduction carry-back for 1946 based on a loss incurred in 1948. In 1948, Luton incurred a loss from operating a restaurant, a loss from selling restaurant equipment, and had salary and interest income. The court addressed whether the equipment sale loss could be included in the net operating loss, and how the various losses and income should be offset against each other. The Tax Court held that the loss on the sale of equipment could not be included in the net operating loss, but the taxpayer could first use the nonbusiness losses to offset nonbusiness income.

Facts

From January to April 1948, Joe B. Luton operated a restaurant,

© 2025 SCOTUSreports.com. All rights reserved.