18 T.C. 1223 (1952)

A taxpayer’s treatment of intangible drilling and development costs (IDC) on its tax return constitutes an election to either expense or capitalize those costs, and that election is binding for all subsequent years; however, where the initial costs are associated with a dry well, the treatment of those costs does not necessarily constitute an election applicable to future productive wells.

Summary

Hawkeye Petroleum Corp. sought a net operating loss deduction for 1943 based on a loss in 1945 resulting from deducting intangible drilling and development costs (IDC). The IRS disallowed the deduction, arguing that Hawkeye had elected to capitalize IDC in its 1944 return. In 1944, Hawkeye drilled a dry well and deducted the costs as

© 2025 SCOTUSreports.com. All rights reserved.