Alamo Broadcasting Co., Inc., 15 T.C. 871 (1951)

In determining whether a corporation qualifies as an “acquiring corporation” under the Internal Revenue Code, the transfer of “substantially all” of a partnership’s properties requires a factual assessment considering the nature, purpose, and amount of retained properties.

Summary

The case concerns Alamo Broadcasting’s qualification as an “acquiring corporation” for excess profits tax purposes. Alamo argued it should compute its excess profits credit based on the income of the partnership it succeeded. The Tax Court examined whether Alamo acquired “substantially all” of the partnership’s properties, a condition for this treatment under the tax code. The court considered the assets transferred, those retained (particularly real estate), and the nature of the transaction. The court held that Alamo did acquire substantially all of the partnership’s properties, making it eligible for the sought-after tax treatment, emphasizing the practical application of the “substantially all” test.

Facts

Alamo Broadcasting was incorporated in 1940 to take over a furniture business previously operated by a partnership since 1932. The partnership transferred assets with a book value of $394,149.98 to the corporation, including goodwill and charged-off accounts receivable. The partnership retained ownership of the real estate and leased it to Alamo for 55 years. The IRS disputed whether Alamo acquired “substantially all” of the partnership’s properties, a requirement for favorable tax treatment.

Procedural History

The case was brought before the Tax Court to determine whether the corporation qualified as an

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